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Depreciation

For use in preparing
1990 Returns

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Important Reminder

Cellular telephones. Any cellular telephone or similar telecommunication equipment placed in service in 1990 is listed property. See *Partial Business Use of Listed Property* in Part II of this publication for a detailed discussion of listed property.

Introduction

When you use your property in your business or to produce income by other means, the law allows you to recover (or get back) what you paid for the property. You do this by "depreciating" the property, that is, by deducting some of your cost on your tax return each year. You can depreciate both "tangible" property, such as a car, building, or machinery, and "intangible" property, such as a copyright or a patent.

The amount you can deduct depends on:

1) How much the property cost,
2) When you began using it,
3) How long it will take to recover your cost, and
4) Which of several depreciation methods you use.

How To Use This Publication

This publication describes the kinds of property that can be depreciated and the methods used to figure depreciation. It is divided into three parts.

Part I describes property that can be depreciated, the one-time deduction of up to $10,000 allowed against the cost of certain property (the "section 179 deduction"), and the reporting of depreciation deductions on Form 4562.

Part II explains the rules for depreciating property first used after 1986. It has tables for figuring the depreciation deduction and includes a sample filled-in Form 4562 and depreciation worksheet.

Part III explains the rules for depreciating property first used before 1987 and includes a sample filled-in depreciation worksheet.

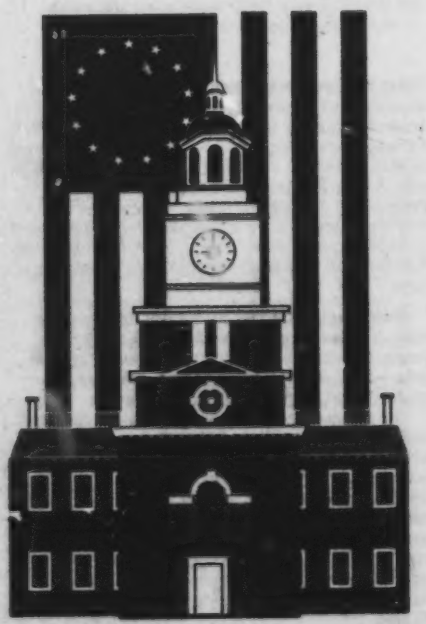
There is a blank depreciation worksheet at the end of this publication that you can use as part of your records to help you keep track of your depreciable property. You should keep this publication with your depreciation records. If you use the percentage tables in it to figure your depreciation, use the same tables each year.

Other related publications. This publication contains only general information on depreciating a car, residential rental property, and office space in your home. Much more detailed information can be found on these topics in Publication 917, *Business Use of a Car*; Publication 527, *Residential Rental Property*; and Publication 587, *Business Use of Your Home*.

Information on "amortization" can be found in Chapter 10 of Publication 535, *Business Expenses*. Amortization is similar to depreciation, but allows you to recover your cost more quickly. Examples of costs you can amortize are the costs of starting a business, reforestation, and pollution control facilities.

If you use accelerated depreciation for real property, or personal property that is leased to others, you may be liable for the alternative minimum tax. Accelerated depreciation is any method, including MACRS and ACRS, that allows more depreciation than could be deducted using the straight line method. For more information, see Publications 909, *Alternative Minimum Tax for Individuals*, and 542, *Tax Information on Corporations*.

Free publications and forms. If you need information on a subject not covered in this publication, you may check our other free publications. To order publications and forms, call our toll-free telephone number 1–800–TAX–FORM (829–3676) or write the IRS Forms Distribution Center for your area as shown in the income tax package.



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Part I

This part will help you determine if you can depreciate your property. It covers when and how to claim depreciation and the section 179 deduction. If you purchase certain business property in 1990, you may be able to recover all its cost by taking a section 179 deduction instead of taking depreciation deductions over the recovery period of the property. Any cost you do not recover by the section 179 deduction can be depreciated as discussed in Part II. This part contains discussions of:

- What can be depreciated,
- What cannot be depreciated,
- Special situations,
- When to claim depreciation,
- How to claim deductions, and
- Section 179 deduction.

What Can Be Depreciated

Depreciable property is property for which depreciation is allowed. Many different kinds of property can be depreciated, as, for example, machinery, buildings, vehicles, patents, copyrights, furniture, and equipment.

Property is depreciable if it meets these requirements:

1) It must be used in business or held for the production of income.
2) It must have a determinable life and that life must be longer than one year.
3) It must be something that wears out, decays, gets used up, becomes obsolete, or loses value from natural causes.

In general, if property does not meet all three of these conditions, it is not depreciable.

Business and investment. You can only deduct depreciation for property that you use in your trade or business or hold for the production of income. You cannot deduct depreciation on nonbusiness property. For example, you cannot depreciate your car if you use it solely for pleasure, commuting, household trips, and other nonbusiness activities.

Partial business use. If you use property for both business and nonbusiness use, you can deduct depreciation only for the part used in your business. For example, if you use your car both for business and personal transportation, determine what percent of its use is for business and depreciate only that percent of its cost.

Types of Property

Depreciable property can be ***tangible*** or ***intangible.*** Tangible property is any property that can be seen or touched. Intangible property is property, such as a copyright or franchise, that is not tangible. Depreciable property can be ***real*** or ***personal.*** Personal property is property such as machinery or equipment that is not real estate. Real property is land and generally anything that is erected on, growing on, or attached to land. However, ***land itself is never depreciable.***

Tangible property. You can deduct depreciation on tangible property only if it can wear out, decay or lose value from natural causes, be used up, or become obsolete.

Intangible property. You can depreciate intangible property if you can determine its useful life. However, you must use the straight line method. Some examples of depreciable and nondepreciable intangible property follow.

Patents and copyrights. Patents and copyrights are two kinds of intangible property that can be depreciated. The useful life is the life granted by the government for the patent or copyright. If a patent or copyright becomes valueless in any year before it expires, your remaining undepreciated cost or other basis can be deducted in that tax year.

Agreement not to compete. An agreement not to compete is an agreement by the seller of a business not to compete with the buyer. The agreement can restrict competition for an agreed-upon period of time or within an agreed-upon area, or a combination of both.

You must establish from the facts and circumstances whether you have purchased goodwill or entered into an agreement not to compete. See *Allocating the Basis* in Publication 551.

If you buy a business and part of the price is for an agreement not to compete for a fixed number of years, the agreement is depreciable property. You can depreciate it over the number of years that it is in effect.

Franchises, designs, drawings, and patterns. These are intangible properties that can be depreciated if they have a determinable useful life.

Customer lists, subscription lists, location contracts, and insurance expirations. These are other kinds of intangible property that can sometimes be depreciated. To depreciate them, you must be able to determine their value separately from the value of any goodwill that goes with the business. You must also be able to determine, with reasonable accuracy, their useful life. If you can do both these things, the property can be depreciated. However, your determination must be based on the facts and not simply on unsupported opinion.

Goodwill. Goodwill is not depreciable because its useful life cannot be determined.

Trademark and trade name. Trademark and trade name expenses must be capitalized. You cannot depreciate or amortize these costs.

What Cannot Be Depreciated

Some property you use in your business or hold for investment cannot be depreciable in certain circumstances or the depreciation on that property cannot be deductible by you.

Rented property. If you pay rent on property, you cannot depreciate that property. Only the owner can depreciate it. If you make permanent improvements after 1986 to the business property you rent, you depreciate those improvements under MACRS, discussed in Part II of this publication.

If you rent property to another person, you can depreciate that property.

Land. You can never depreciate land. This generally includes the cost of clearing, grading, planting, and landscaping because these expenses are all part of the cost of land. However, you can depreciate some land preparation costs if they are so closely associated with a depreciable asset that it is possible to determine a life for the preparation costs along with the life of the asset with which they are associated.

Example. You build a new building and pay amounts for grading, clearing, seeding, and planting bushes and trees. Some of the bushes and trees were planted right next to the building, while others were planted around the outer border of the lot on which the new building was set. If you replaced the building, you would have to destroy the bushes and trees right next to it. Therefore, you can depreciate the cost of the landscaping right next to the building. You cannot depreciate the cost of the remainder of the landscaping, but you can add its cost to the basis of the land.

Demolition of buildings. You cannot deduct any amount paid or incurred to demolish any structure, or any loss in connection with the undepreciated basis of a structure. Instead, you must add these costs to the basis of the land on which the demolished structure was located.

Inventory. You cannot depreciate your inventory. Inventory is property held primarily for sale to customers in the ordinary course of business. See *Inventories* in Publication 538, *Accounting Periods and Methods*, for more information. In some cases, it is not immediately clear whether property is a business asset or inventory. In these cases, carefully examine all the facts to see if it is depreciable property. The following example illustrates two situations where the facts are similar and yet the results are quite different.

Example. Maple Corporation is in the business of leasing cars. Maple sells these cars at the end of their useful lives when they are no longer profitable to lease. Maple does not have any facilities to sell cars, such as a showroom, used car lot, or sales force. Instead, Maple sells its cars through wholesalers or by similar arrangements that do not contemplate a dealer's profit. Maple can treat these cars as depreciable property because the facts show that the cars are not held primarily for sale to customers in the ordinary course of business.

If Maple buys cars at wholesale prices, leases them for a short time, and then sells them at retail or in sales that contemplate a dealer's profit, the cars are treated as inventory and are not depreciable property. Here, the facts show that the cars are held primarily for sale to customers in the ordinary course of business.

Containers. Containers are generally part of inventory and cannot be depreciated. However, large durable containers used to ship your products can be depreciated if: they have a life longer than one year; they qualify as property used in your business; and title to them does not pass to the buyer. To determine whether a container can be depreciated, you should consider:

1) Whether the sales contract, sales invoice, or acknowledgment of order indicates that you have retained title,
2) Whether the invoice treats the containers as separate items, and
3) Whether your records properly state your basis in the containers.

Term interest in property. You cannot take depreciation or amortization for a term interest in property created or acquired after July 27, 1989, for any period during which the remainder interest is held directly or indirectly by a person related to you. A term interest in property means a life interest, an interest for a term of years, or an income interest in a trust. A person related to you includes your spouse, child, parent, brother, sister, half-brother, half-sister, ancestor, or lineal descendent.

Basis adjustments. If, except for this provision, a depreciation or amortization deduction would be allowable for any term interest in property, your basis in the property is reduced by any depreciation or amortization not allowed.

The basis of the remainder interest in the property is generally increased by the amount of the unallowed deductions. However, the basis of the remainder interest is not increased for any unallowed deductions for periods during which the term interest is held by an organization exempt from tax or by a nonresident alien individual or foreign corporation if the income from the term interest is not effectively connected with the conduct of a trade or business in the United States.

Special Situations

Some property used in your business or held for investment can only be depreciated in certain circumstances. There are also rules that depreciation for some property must be figured using a specific depreciation method.

Equipment used to build capital improvements. You cannot deduct depreciation on equipment you are using to build your own capital improvements. Depreciation on this equipment during the period of construction must be added to the basis of the improvements. See *Uniform Capitalization Rules* in Publication 551, *Basis of Assets.*

Manufacturing or processing businesses. If you must include depreciation as part of cost of goods sold, you cannot deduct this depreciation again as a separate business expense on your return.

Cooperative apartments. If you use your cooperative apartment in your business or for the production of income, you can deduct your share of the cooperative housing corporation's depreciation.

If you bought the stock as part of its first offering, figure the amount of depreciation you can deduct as a tenant-stockholder in a cooperative housing corporation as follows:

1) Figure the depreciation for all the depreciable real property owned by the corporation.
2) Subtract from (1) any depreciation for space owned by the corporation that can be rented but cannot be lived in by tenant-stockholders. The result is the yearly depreciation, as reduced.
3) Divide the number of your shares of stock by the total number of shares outstanding, including any shares held by the corporation.
4) Multiply the yearly depreciation, as reduced (from (2)) by the number you figured in (3). This is your share of the depreciation.

If you bought your cooperative stock after its first offering, figure the basis of the depreciable real property to use in (1) as follows:

1) Multiply your cost per share by the total number of shares outstanding.
2) Add to it the mortgage debt on the property on the date you bought the stock, and
3) Subtract from it the part of this sum that is not for the depreciable real property, such as the part for the land.

Your depreciation deduction for the year cannot be more than the part of your adjusted basis in the stock of the corporation that is allocable to your trade or business or income-producing property.

Change to business use. If you change your co-op apartment to business use, you figure your allowable depreciation as explained earlier under *Cooperative apartments.* If you bought the stock as part of its first offering, the depreciable basis of all the depreciable real property owned by the cooperative housing corporation is the smaller of the fair market value on the date you change to business use, or the corporation's adjusted basis on that date.

Do not subtract depreciation when figuring the adjusted basis. The fair market value is normally the same as the corporation's adjusted basis minus straight line depreciation (discussed in Part III of this publication), unless this value is unrealistic.

For a discussion of fair market value and adjusted basis, see Publication 551.

Videocassettes. If you are in the videocassette rental business, you can depreciate those purchased for rental. The cost of any cassette that has a useful life of one year or less can be deducted in the year of purchase as a business expense. The cost less salvage value of those that have a useful life over one year can be depreciated using either the straight line method or the income forecast method. The straight line method, salvage value, and useful life are discussed in Part III under *Other Depreciation Methods.*

The ***income forecast method*** requires income projections for each videocassette or group of videocassettes. The videocassettes can be grouped by title for making this projection. Depreciation is determined by applying a fraction to the cost less salvage value of the cassette. The numerator is the income from the videocassette for the tax year and the denominator is the total projected income for the cassette. For more information on the income forecast method, see Revenue Ruling 60-358 in 1960-2 CB 68.

Repairs and replacements. You can deduct the cost of repairs and replacements that do not increase the value of property, make it more useful, or lengthen its useful life. However, if a repair or replacement increases the value of the property, makes it more useful, or lengthens its life, you must capitalize and depreciate these costs. You cannot deduct these costs.

Professional libraries. If you maintain a library that you use in your profession, you can depreciate the library only if its value decreases with time. You can deduct the cost of technical books, journals, and information services used in your business that have a useful life of one year or less.

Listed property placed in service or leased after June 18, 1984. There are limits on the depreciation deductions you can claim on passenger automobiles, other transportation vehicles, home computers, and certain other property placed in service after June 18, 1984. These limits apply if the property is not used more than 50% in a qualified business use during any tax year.

If the property is leased after June 18, 1984, limitations are imposed on lessees that are "substantially equivalent" to those imposed on owners. In addition, there is a dollar limit on the deduction you can claim for passenger automobiles each year. See *Passenger Automobiles* and *Partial Business Use of Listed Property* later.

When To Claim Depreciation

You begin to claim depreciation on property when you place it in service in your trade or business or for the production of income. You continue to depreciate the property until you recover your basis in it, dispose of it, or stop using it for business or investment purposes.

Idle assets. You must claim a deduction for depreciation on an asset usually used in your business but temporarily idle. For example, there is a temporary lack of a market for the product made with that asset. The asset is still treated as used in your business for federal tax purposes.

Depreciation not deducted. If, in an earlier year, you did not claim depreciation you were entitled to deduct, you must still reduce your basis in the property by the amount of depreciation you were entitled to deduct. You cannot deduct the unclaimed depreciation in the current year or any later tax year. However, you can claim the depreciation on an amended return for the earlier year. An amended return must be filed within 3 years from the date you filed your original return, or within 2 years from the time you paid your tax, whichever is later. A return filed early is considered filed on the due date.

How To Claim Deductions

Form 4562, *Depreciation and Amortization,* is used to elect the section 179 deduction, claim depreciation and amortization deductions, and provide information on the business use of listed property.

Corporations. All corporations, except S corporations, must complete and file Form 4562 to claim any depreciation, a section 179 deduction, or amortization, if this is the first year of the amortization period. The form is attached to the corporate return.

Individuals, partnerships, and S corporations. If you are not filing a return as a corporation, you are required to complete and attach Form 4562 only if you are:

- Claiming a section 179 deduction or have a section 179 carryover deduction from a prior year,
- Claiming MACRS depreciation for property placed in service during 1990, or
- Claiming depreciation on any listed property.

The form is also required if 1990 is the first year of the amortization period. See Chapter 10 in Publication 535 for a discussion of the costs you can amortize.

Form 4562

Form 4562 has six parts. If you are not filing as a corporation and have an entry in Part I, II, V, or VI, you must complete and attach Form 4562 to your tax return. If you have an entry only on line 16 or 18 of Part III, do not use this form. Enter your depreciation deduction directly on the depreciation line of your return or schedule.

Part I

Use this part of the form to elect the section 179 deduction. This part helps you figure your maximum section 179 deduction and any carryover to next year. If you have a section 179 deduction carried over from last year, report it in this part. The section 179 deduction is discussed later in this part of the publication.

Part II

Use this part to report your MACRS depreciation deductions for property placed in service during 1990. Do not use this part for listed property. MACRS and listed property are discussed in Part II of this publication.

Part III

Use this part to report your MACRS depreciation deduction for property placed in service before 1990. Use this part for depreciation under ACRS and other methods discussed in Part III of this publication. If you elect to depreciate property under a method not based on a term of years as discussed under *Excluded Property* in Part II of this publication, report the depreciation in this part.

Part IV

Use this part to figure the total depreciation to enter on your tax return.

Part V

Use this part to report the depreciation on automobiles and other listed property and to provide information concerning the use of vehicles. See *Partial Business Use of Listed Property,* in Part II of this publication.

Part VI

Use this part to report your amortization deductions. If you do not have to file the form, enter your amortization deduction on the "Other Deductions" or "Other Expenses" line of your return.

Section 179 Deduction

You can elect to treat all or part of the cost of certain qualifying property as an expense rather than a capital expenditure. This means you can deduct all or part of the cost in one year rather than taking depreciation deductions spread over several years. You must decide for each item of qualifying property whether to deduct, subject to the yearly limit, or capitalize and depreciate its cost. If you make the election for a deduction, you can deduct a limited amount of the cost of qualifying property in the first year you place the property in service.

Estates and trusts. Estates and trusts are not eligible to elect the section 179 deduction.

Placed in service. For the section 179 deduction, property is considered placed in service in the tax year it is first ready and available for its specified use, whether in a trade or business, the production of income, a tax-exempt activity, or a personal activity.

The determination of whether property is qualifying property, defined later, is made in the first year the property is placed in service. If you place property in service in a tax year and it does not qualify for the section 179 deduction, no section 179 deduction is ever allowed for it, even though it becomes qualifying property in a later tax year.

Example. In 1989,you bought a new car and used it entirely for personal purposes. In 1990 you begin to use the car in your business. No section 179 deduction is allowed for the car. The car was placed in service in 1989 when you began to use it for personal purposes.

Qualifying Property

You can claim the section 179 deduction on depreciable property that is "section 38 property" (defined later) and that is bought for use in the active conduct of your trade or business. You cannot elect to deduct the cost of property held merely for the production of income, such as rental property. Nor can you take depreciation to the extent that you elect to deduct the cost of your property.

The following property does not qualify for the section 179 deduction:

1) Property acquired by one member of a controlled group from another component member of the same group,
2) Property you acquire from another person if your basis in that property is determined in whole or in part by reference to the adjusted basis of the property in the hands of the person from whom you acquired it, or under the stepped-up basis rules (see Publication 551) for property acquired from a decedent, or
3) Property you acquire from a related person if your relationship to the related person would result in the disallowance of losses.

The rules for disallowance of loss in a transaction between related parties are presented later under the MACRS discussion of *Excluded Property*. These rules apply to the section 179 deduction with the following modifications:

1) The family of an individual includes only his or her spouse, ancestors, and lineal descendants, and
2) The percentages of ownership in a corporation or partnership are changed to 50%.

Section 38 Property

This is property with a useful life of at least 3 years. It includes:

Tangible personal property (except heating or air-conditioning units).

Other tangible property (except most buildings and their structural components) that:

a) Is used as an integral part of manufacturing, production, or extraction or of furnishing transportation, communications, electricity, gas, water, or sewage disposal services,

b) Is a research facility used in any of the activities referred to in (a) above, or

c) Is a facility used in any of the activities referred to in (a) for the bulk storage of fungible commodities.

Elevators and escalators you build or acquire new.

Single purpose livestock or horticultural structures.

Storage facilities (excluding buildings and their structural components) used in the distribution of petroleum or any primary product of petroleum.

Tangible personal property. Tangible personal property is tangible property other than real property. Machinery and equipment are examples of tangible personal property.

Land and land improvements, such as buildings and other permanent structures and their components, are real property and, therefore, not tangible personal property. For the same reason, swimming pools, paved parking areas, wharfs, docks, bridges, fences, and similar property are not tangible personal property.

All business property, other than structural components, contained in or attached to a building is tangible personal property. Some tangible personal property under local law cannot be tangible personal property for section 179, and some real property under local law, such as fixtures, can be tangible personal property for section 179. Assets such as refrigerators, grocery store counters, transportation and office equipment, printing presses, testing equipment, and signs are tangible personal property. A car or truck used in your business is tangible personal property.

Gasoline station storage tanks used to store gasoline at a retail gasoline station are tangible personal property. Machines such as gasoline pumps, even though located outside a building and attached to the ground, are also tangible personal property.

Central heating and air-conditioning systems, plumbing, wiring, etc., are structural components of a building and not tangible personal property.

Elevators and escalators. An elevator or escalator is section 38 property if it is acquired during the tax year and the original use begins with you, or you complete its construction, reconstruction, or erection during the tax year. However, the cost of structural alterations to the building, such as the construction of a shaft or alteration to the floors and walls, is not included in the basis of the elevator or escalator.

Livestock. Livestock is section 38 property. For this purpose, livestock includes cattle, hogs, sheep, goats, and furbearing animals but does not include horses. Special rules apply in determining the amount of your qualified investment in livestock if you disposes of substantially identical livestock during the one-year period beginning 6 months before the date of acquisition. In this case, the cost of the livestock acquired must be reduced by the amount realized on the disposition of the other livestock, except for disposition by involuntary conversion.

Substantially identical. The sex, age, and use of the livestock determine whether the livestock disposed of is substantially identical. For example, if you dispose of a cow used on your farm for breeding and within 6 months acquire another cow of approximately the same age to be used for breeding, the substantially identical test is met. However, if the cow disposed of is not suitable for continuing use as breeding stock at the time of sale, it is not considered substantially identical to the cow acquired.

If you have more than one sale or disposition of substantially identical livestock during the year, take them into account in order of time starting with the earliest. If a particular sale or other disposition of substantially identical livestock falls within 2 or more one-year periods, the amount realized is applied in order of time starting with the earliest acquisition.

Single purpose livestock or horticultural structures. Single purpose livestock structures and single purpose horticultural structures are section 38 property. As used here, the term "livestock" includes poultry but not horses.

A single purpose livestock structure is any enclosure or structure specifically designed, constructed, and used for:

1) Housing, raising, and feeding a particular type of livestock and its produce, and
2) Housing the equipment, including any replacements, necessary for the housing, raising, and feeding of this livestock.

The full range of livestock breeding, raising, and production activities is included so that special purpose structures are section 38 property if used, for example, to breed chickens or hogs, produce milk from dairy cattle, or produce feeder cattle or pigs, broiler chickens, or eggs. The facility must include, as an integral part of the structure or enclosure, equipment necessary to house, raise, and feed the livestock.

A single purpose horticultural structure is:

1) A greenhouse specifically designed, constructed, and used for the commercial production of plants, or
2) A structure specifically designed, constructed, and used for the commercial production of mushrooms.

A structure must be used only for the purpose for which it qualified as section 38 property. For example, a hog structure will not be eligible property if used to house and feed poultry or cattle or if more than incidental use of the structure is made to store feed or machinery. Similarly, the use of part of a greenhouse for selling plants or their produce, such as by installation of a check-out stand, will make the greenhouse ineligible.

Nonqualifying Property

Section 38 property does not include:

1) Buildings and structural components.
2) Property used primarily for lodging, discussed later.
3) Certain property used predominantly outside the U.S. See section 48(a)(2) of the Code and the regulations thereunder.
4) Property used by a tax-exempt organization other than a farmer's cooperative unless used predominantly to produce unrelated business taxable income, which is subject to tax.
5) Certain property completed outside the U.S. or property having less than 50% of its basis attributable to value added within the U.S. See section 48(a)(7) of the Code and the regulations thereunder.

Property used primarily for lodging. Property used primarily for lodging is not section 38 property. This includes most property used in the operation of an apartment house and most other facilities where sleeping accommodations are provided and rented. Some examples of property used primarily for lodging are furniture, office

equipment, and laundry facilities used in operating an apartment house.

However, coin-operated vending and washing machines and dryers located in apartment houses and other similar facilities are not considered property used primarily for lodging.

Property used by a hotel, motel, inn, or similar establishment that primarily serves transient guests (the rental period is normally less than 30 days) or property used in nonlodging commercial facilities (such as a restaurant available to the public as well as tenants) is not considered property used primarily for lodging.

Deduction Limit

The total cost you can elect to deduct for a tax year cannot exceed $10,000. The $10,000 maximum applies to each taxpayer and not to each business operated by a taxpayer.

While the maximum amount that can be deducted is $10,000, there are certain provisions that can reduce this maximum.

Investment limit. For each dollar of cost of section 179 property placed in service in excess of $200,000 in a tax year, the $10,000 maximum is reduced (but not below zero) by one dollar.

Example. In 1990, James Smith placed in service machinery with a cost of $207,000. Since the cost of the machinery exceeds $200,000 by $7,000, he must reduce the maximum deduction allowed ($10,000) by $7,000. He is therefore entitled to a section 179 deduction for 1990 of $3,000.

Taxable income limit. The total cost that can be deducted in each tax year is limited to the taxable income from the active conduct of any trade or business during the tax year. Taxable income is figured as usual but without a deduction for the cost of any section 179 property and the deduction for half the self-employment tax. You cannot use a section 179 deduction to increase or create a net operating loss.

Any cost that is not deductible in one tax year under section 179 because of this limit can be carried to the next tax year and added to the cost of qualifying property placed in service in that tax year.

Example. Joyce Jones places in service in 1990 a machine that cost $8,000. The taxable income from her business for 1990 (determined without the cost of the machine or the deduction for half the self-employment tax) is $6,000. Her section 179 deduction is limited to $6,000. The $2,000 cost that is not allowed because of the taxable income limit can be carried to 1991.

Carryover of unallowable deduction. If the cost of section 179 property placed in service during the tax year is $210,000 or more, you cannot take a section 179 deduction and you do not have a carryover.

If the cost of section 179 property placed in service during the tax year is less than $210,000, the maximum dollar limit of $10,000 is reduced by the amount, if any, by which the cost of section 179 property you placed in service during the tax year exceeds $200,000.

If the cost of section 179 property placed in service during the tax year is $10,000 or less, your maximum dollar limit is the cost of section 179 property you placed in service during the tax year.

After determining the maximum dollar amount that applies to you (never more than $10,000), figure the taxable income limit. Determine your taxable income limit by figuring the taxable income from the active conduct of your business without deductions for the cost of section 179 property and half the self-employment tax.

If this taxable income amount is more than your maximum dollar amount, your section 179 deduction is your maximum dollar amount and you have no carryover to the next tax year.

If this taxable income amount is less than your maximum dollar amount, your section 179 deduction is the taxable income amount. Your carryover is the excess of your maximum dollar amount over your section 179 deduction. The amount you carry over will be taken into account in determining your section 179 deduction next year.

If your taxable income limit is less than your maximum dollar limit, attach a statement to your return showing the computation of the taxable income.

Example. In 1990, John Walnut, a sole proprietor of an active business, places in service section 179 property with a cost of $201,000. He files his return based on the calendar year. He figures that his taxable income for the limit is $6,000.

John computes his maximum dollar limit. His section 179 property for 1990 exceeds $200,000 by $1,000. Therefore, his maximum dollar limit is $9,000 ($10,000 less $1,000). Because his taxable income of $6,000 is less than his maximum dollar limit of $9,000, his 1990 section 179 deduction is $6,000. His carryover to 1991 is $3,000, the excess of his maximum dollar limit ($9,000) over his 1990 section 179 deduction ($6,000).

Married taxpayers filing separate returns. A husband and wife filing separate returns for a tax year are treated as one taxpayer for the $10,000 maximum and for the $200,000 investment limit. Unless they elect otherwise, 50% of the cost of section 179 property, before the taxable income limit is applied, will be allocated to each.

Passenger automobiles. For passenger automobiles placed in service in 1990, the total section 179 deduction and depreciation deduction cannot exceed $2,860 for 1990. See *Passenger Automobiles*, later, for more information.

Partnerships

The limits apply to both the partnership and to each partner. The partnership determines its section 179 deduction subject to the limits. It allocates the deduction so determined among its partners. Each partner adds the amount allocated from the partnership to the partner's own deduction and applies the limit to this total to determine the partner's section 179 deduction. The total amount of each partner's partnership and nonpartnership section 179 deduction cannot exceed the maximum dollar limit.

The basis of a partnership's section 179 property must be reduced by the amount of the section 179 deduction elected by the partnership. This reduction of basis must be made even if a partner cannot deduct all or a part of the section 179 deduction allocated to that partner by the partnership because of the limitations.

Example. In 1990, the JB Partnership placed in service section 179 property with a total cost of $204,000. The partnership's income for the year was $10,000. Since the cost of the section 179 property exceeds $200,000 by $4,000, the partnership must reduce its maximum deduction allowed ($10,000) by $4,000. The maximum section 179 deduction for the partnership for 1990 is $6,000. The partnership allocates this $6,000 equally to its two partners, John and Bernard.

John has no other section 179 property placed in service in 1990. He operates a business as a sole proprietorship. The business has taxable income of more than $3,000. He can claim the $3,000 allocated to him by JB as a section 179 deduction.

Bernard operates a business as a sole proprietorship that placed $8,000 of section 179 property in service in 1990. This business has taxable income of $12,000. He is also a partner in the PBW Partnership which allocated him a section 179 amount of $1,000. Since he has a total section 179 deduction of $4,000 ($3,000 from JB and $1,000 from PBW) allocated from the partnerships, he can only elect a section 179 deduction of $6,000 for the property from his sole proprietorship because his maximum section 179 deduction is $10,000.

S Corporations

The rules that apply to a partnership and its partners also apply to an S corporation and its shareholders. The limits apply to an S corporation and to each shareholder. The corporation allocates the deduction among the shareholders, who then take their section 179 deduction subject to the limits.

Cost

The cost of property for the section 179 deduction does not include that part of the basis of the property determined by reference to the basis of other property held at any time by the person acquiring the property. For example, if you buy a new truck to use in your business, your cost for the section 179 deduction does not include the adjusted basis of the truck you trade in on the new vehicle. See *Adjusted basis* in Publication 551.

When you use property for both business and nonbusiness, you are eligible to elect the section 179 deduction only if more than 50% of the property's use in the tax year the property is placed in service is for trade or business purposes. You must allocate the cost of the property to reflect only the business use of the property. This is done by multiplying the cost of the property by the percentage of business use. Use this adjusted cost to figure your section 179 deduction.

Example 1. On February 5, 1990, Virginia Roads bought and placed in service an item of section 179 property. She paid $11,000 for the property. She used the property 80% for business and 20% for personal purposes. The business part of the cost of the property is $8,800 (80% of $11,000). The maximum section 179 deduction that she can claim on this property is $8,800.

Example 2. On September 10, 1990, Betty Smith bought and placed in service a computer. She paid $9,000 cash and received a trade-in allowance of $1,000 on her old computer. She had an adjusted basis of $3,000 in the old computer. She used the old and the new computer 90% for business and 10% for personal purposes. Her basis in the new computer is $12,000 ($9,000 cash paid plus the adjusted basis of $3,000 in the old computer). However, her section 179 deduction is limited to 90% (business use percentage) of $9,000 (cash paid) or $8,100. Her basis for depreciation is $2,700 (total basis of $12,000 × 90%, or $10,800, minus the section 179 deduction of $8,100).

Election

You must make an election to take the section 179 deduction. You make this election in the tax year the property is placed in service.

Use Form 4562 to make your election and report your section 179 deduction. Make this election by taking the deduction on Form 4562 filed with your original tax return. The election cannot be made on an amended tax return filed after the due date (including extensions).

Records. You must maintain records that permit specific identification of each piece of section 179 property and reflect how and from whom the property was acquired and when it was placed in service. You must adhere to your selection of section 179 property for which a deduction is claimed in computing your taxable income for the tax year the election is made and all later tax years.

Revocation of Election

Once made, the election can be revoked only with IRS consent. A consent to revoke a section 179 election will be granted only in extraordinary circumstances. Requests for consent must be

filed with the Commissioner of Internal Revenue, Washington, DC 20224. The request must include your name, address, and taxpayer identification number. It must be signed by you or your duly authorized representative. It must be accompanied by a statement showing the year and property involved, and must set forth in detail the reasons for the request.

Figuring the Deduction

For 1990, the maximum section 179 deduction is $10,000 of the cost of property you buy for use in your trade or business. You decide how much of the cost of property you want to deduct under section 179. You do not have to claim the full $10,000. Any cost not deducted under section 179 can be depreciated.

If you have more than one item of property, you can allocate the deduction between the items. If you have only one item of qualifying property and that item costs less than $10,000, such as $3,200, your deduction is limited to $3,200. You must figure your 179 deduction before figuring your depreciation deduction.

Subtract the amount you elect to deduct from the basis of the qualifying property. This adjusted basis is the amount you use to compute your deduction for depreciation.

Example 1. In 1990, you bought a $20,000 forklift and a $1,200 circular saw for use in your business. Both items were placed in service in 1990. You elect to deduct the entire $1,200 for the saw and $8,800 for the forklift, a total of $10,000. This is the maximum amount you can deduct in 1990. Your $1,200 deduction for the saw has completely recovered the cost of that item. The cost of your forklift is adjusted by $8,800. Its adjusted basis for depreciation is $11,200. This is figured by subtracting the amount of your section 179 deduction, $8,800, from the cost of the forklift, $20,000.

Example 2. Jason Burke, who is married and files a joint return, bought and placed in service $25,000 of qualified farm machinery in 1990. He and his wife can elect to take a section 179 deduction of up to $10,000 of the cost of this machinery on their 1990 joint income tax return. If they filed separate returns, he could deduct $5,000 on his return unless he and his wife elect otherwise.

Example 3. Bob King is a tailor. In 1990 he bought two industrial sewing machines from his father who is in the business of selling industrial sewing equipment. Both machines were placed in service in 1990. Since he and his father are related parties, his acquisition of the sewing machines is not a purchase for section 179 and he cannot claim a section 179 deduction for the cost of these machines.

Example 4. In 1990, Just Sweets, a retail bakery, traded in two ovens with a total adjusted basis of $680 for a new oven costing $1,320. The bakery also traded a used van with an adjusted basis of $4,500 for a new van costing $9,000. The new items were placed in service in 1990. Just Sweets got an $800 trade-in on the old ovens and paid $520 cash for the new oven and got a $4,800 trade-in and paid $4,200 cash for the van. The transactions are nontaxable and no gain is recognized on the trade-ins.

The part of the basis of the equipment carried over due to the transactions ($680 for the ovens and $4,500 for the van) is not treated as cost for the section 179 deduction. However, Just Sweets can elect a section 179 deduction of $4,720 ($520 and $4,200), the part of the cost of the new property not determined by reference to property traded in.

Recapture of Section 179 Deductions

If you deduct the cost of property placed in service ***after 1986*** and the property is not used more than 50% in a trade or business for any tax year before the end of the property's recovery period, you must include in income the benefit you got from the deduction.

See the *Table of Class Lives and Recovery Periods* near the end of Part II of this publication to determine the recovery period.

Report any recapture of the section 179 deduction on Form 4797, *Sales of Business Property.*

Figure the amount to be included in income by subtracting from your section 179 deduction the depreciation that would have been allowable on the section 179 amount for prior tax years and the tax year of recapture.

Example 1. Shirley Butler, a calendar year taxpayer, bought and placed in service in her business on February 12, 1988, an item of 3-year property costing $5,000. She elected a section 179 deduction of $5,000 for the property. Since she deducted the full cost of the property in 1988, she cannot claim any depreciation for it in 1988. She used the property in her business for all of 1989.

For all of 1990, Shirley used the property only for personal use. Because of the change from business to personal use, she must recapture the benefit she got from claiming the section 179 deduction in 1988. Had she not elected to deduct the $5,000 in 1988, she would have been entitled to a depreciation deduction in 1988 of $1,666.50 (33.33%, first year percentage for 3-year property from Table 1, of $5,000) and $2,222.50 (44.45%, second year percentage, of $5,000) in 1989. Therefore, she must include in income for the 1990 tax year, the excess of $5,000 (the amount claimed in 1988) over $3,889 (the depreciation that would have been allowed in 1988 and 1989) or $1,111. Since she did not use the property for business or investment in 1990, she cannot claim any depreciation in 1990.

Example 2. Paul Lamb, a calendar year taxpayer, bought and placed in service on December 1, 1988, an item of 3-year property costing $10,000. The property is not listed property. He used the property only for business in 1988 and 1989. He elected a section 179 deduction of $5,000 for it. During 1990, he used the property 40% for business and 60% for personal use. Had he not elected to expense $5,000 in 1988, he would have been entitled to deduct $1,666.50 (33.33% of $5,000) in 1988 and $2,222.50 (44.45% of $5,000) in 1989. In 1990 he would have been entitled to deduct 40% of $740.50 (14.81% of $5,000) or $296.20. Therefore, he must include in income for 1990 the excess of $5,000 over $4,185.20 ($1,666.50 + $2,222.50 + $296.20) or $814.80.

Dispositions. If you elect the section 179 deduction, the amount deducted is treated as depreciation for the recapture rules. Thus, any gain you recognize on disposition of the property is treated as ordinary income to the extent of the section 179 deduction and depreciation taken. See *Depreciation Recapture on Personal Property* in Publication 544, *Sales and Other Dispositions of Assets.*

Installment sales. If you make an installment sale of qualifying property, you must generally include as ordinary income in the year of sale any depreciation recapture income to the extent of gain even if no payments are received in the year of sale. See Publication 537, *Installment Sales.*

Part II

This part covers the rules you need for tangible property you are beginning to depreciate in 1990. It contains a discussion of the modified accelerated cost recovery system (MACRS) that applies to all tangible property placed in service after 1986. The limit on the deductions that you can claim on passenger automobiles and the rules that apply when listed property is used less than 50% for business are also discussed in this part. There is a sample depreciation worksheet and filled-in Form 4562 for 1990. The percentage tables and class life table at the end of this part apply to MACRS.

See Part III for the rules for depreciating intangible property.

Modified Accelerated Cost Recovery System (MACRS)

The modified accelerated cost recovery system (MACRS), also referred to as the "General Depreciation System" or "GDS," applies to all tangible property placed in service after 1986. You could have made a property-by-property election to use MACRS for tangible property placed in service after July 31, 1986, and before 1987. See the discussion of excluded property, later.

All real property acquired before 1987 that is changed from personal use to a business or income producing use after 1986 must be depreciated under MACRS.

To figure your annual MACRS depreciation, you need to know:

1) The depreciable basis of the property,
2) When the property is placed in service for depreciation,
3) The property class,
4) Which convention applies to the property, and
5) Which MACRS recovery method you want to use to recover your basis in the property.

After you determine the above information, you can use the percentage tables near the end of this part to figure your depreciation deduction.

Basis

To deduct the proper amount of depreciation each year, first determine your basis in the property you intend to depreciate. The basis used for figuring MACRS depreciation is your original basis in the property reduced by any section 179 deduction claimed on the property. The section 179 deduction is discussed in Part I. Your original basis is usually the purchase price. However, if you acquire the property in some other way, such as inheriting it, getting it as a gift, or building it yourself, you have to figure your original basis in another way.

Publication 551 explains how to figure basis for property acquired in different ways, what increases and decreases basis, and how to allocate cost if you buy several pieces of depreciable and nondepreciable property at one time.

Property converted to business or rental use. When you hold property for personal use and change it to business use or use in the production of income, such as rent, the basis for depreciation is the lesser of:

1) The fair market value of the property on the date of the change, or
2) Your original cost or other basis of the property, plus the cost of any permanent improvements or additions since you got it, and minus deductions for any casualty losses claimed on earlier years' income tax returns and other charges to basis.

Placed in Service

For depreciation, property is considered placed in service when it is ready and available for its specified use, whether in a trade or business, the production of income, a tax-exempt activity, or a personal activity. However, depreciation applies only to property placed in service in a trade or business or in the production of income. For example, if property is placed in service for personal use, no depreciation is allowable. If the use of the property is changed to a business or income-producing activity, depreciation begins at the time of the change in use.

Example 1. On November 22, 1989, Donald Steep bought a machine for his business. It was delivered on December 7, 1989. However, it was not installed and operational until January 3, 1990. Since it was not operational until 1990, it is considered placed in service in 1990. If the machine had been ready for use when it was delivered in 1989, it would be considered placed in service in 1989 even if it was not actually used until 1990.

Example 2. On April 6, 1990, Peter Douglas bought a house to use as residential rental property. He made extensive repairs and had the house ready for rent on July 5, 1990, when he began to advertise it for rent. He rented it on September 1, 1990. The house is considered placed in service in July when it was ready and available for rent. He can begin to depreciate the house in July.

Example 3. Kirkland, Inc. is engaged in the manufacture and sale of a product. In 1989, the corporation began construction of a new plant to house the manufacturing equipment. The plant was completed on February 13, 1990. The corporation began installing the manufacturing machine and equipment on that date. The installation was completed on July 3, 1990. The production line was fully operational on that date. The building was placed in service on February 13, the date on which it was ready and available to perform the function for which it was built. The production line (machine and equipment) was placed in service on July 3, the date on which it was completed and operational.

Example 4. John Bernard is a building contractor who specializes in constructing office buildings. He bought a truck on September 18, 1989. It was delivered by the dealer to Reinforcements, Inc., for installing heavy duty lifting equipment. The truck was modified to lift materials to second story levels. The installation of the lifting equipment was completed on January 9, 1990. John took delivery of the modified truck on January 10. The truck was placed in service on January 10, the date on which it was ready and available to perform the function for which it was bought.

Property Classes

Each item of property depreciated under MACRS is assigned to a property class. The property classes establish the number of years over which the basis of items in a class are recovered. This period of time is called a recovery period. The classes of property are:

3–year property
5–year property
7–year property
10–year property
15–year property
20–year property
Nonresidential real property
Residential rental property

The class to which property is assigned is generally determined by its class life. Class lives and recovery periods for most assets are listed in the *Table of Class Lives and Recovery Periods* at the end of this part.

How To Use Table

The table has two sections. The section, *Specific depreciable assets used in all business activities, except as noted:*, generally lists assets used in all business activities. The second section, *Depreciable assets used in the following activities:*, describes assets used only in certain activities.

First section. Read the bold headings in the first section to see if your property is listed. Under each heading is a description of the assets included in the asset class. At the end of this description is a dotted line followed by three figures. The first figure is the class life of the property included in that asset class. The second figure is the recovery period for the property. It is also the MACRS property class for the property. The third figure is the recovery period under the alternate MACRS method, discussed later. If you find your property described in an asset class, use the second figure after the dotted line. This is the property class and recovery period for the property. The class life figure is generally the same as the recovery period under alternate MACRS. However, it differs for a few items of property because the law specifies the recovery period for them.

Second section. If your property is not described in the first section, use the second section. This section is based on various activities and the type of property used in those activities. This section is like the first except that the asset classes are based on activities. If you do not find your property listed in the first section, read the bold headings in the second section to see if your activity is listed. Under each heading is a description of the type of property included in the asset class for the activity. The three figures after the dotted line are the class life, recovery period (recovery class), and alternate MACRS recovery period for the property described.

Property not in table. If your property is not described in any of the asset classes in the first section and if your activity is not listed in the second section, the property will be assigned to the 7–year property class for regular MACRS and will have a 12–year recovery period for the alternate MACRS method, discussed later.

Example 1. Richard Green bought a desk to use in his business. He reads the headings and descriptions in the first section. He finds "desks" in the description of asset class 00.11 *Office Furniture, Fixtures, and Equipment.* The property in this asset class is 7–year property and has a recovery period of 7 years for the regular MACRS method. If he elects to use the alternate MACRS method, the recovery period is 10 years, which is the third figure in the table.

Example 2. Sam Plower is a building contractor. In 1990 he buys and places a backhoe in service in his business. Reading the tables, Sam comes to asset class 15.0 for construction assets. The backhoe is in the 5–year property class. The MACRS recovery period for the backhoe is 5 years and the alternate MACRS recovery period is 6 years.

Items in Property Classes

Under MACRS, tangible property you place in service after 1986 falls into one of eight classes. The following is a list of property classes and some of the property included in each.

3-year property. This class includes tractor units for use over-the-road and any race horse over 2 years old when placed in service and any other horse over 12 years old when placed in service.

5-year property. This class includes automobiles, taxis, buses, trucks, computers and peripheral equipment, office machinery (typewriters, calculators, copiers, etc.), and any property used in research and experimentation.

7-year property. This class includes office furniture and fixtures (desks, files, etc.) and any property that does not have a class life and that has not been designated by law as being in any other class.

10-year property. This class includes vessels, barges, tugs, similar water transportation equipment, any single purpose agriculture or horticultural structure, and any tree or vine bearing fruits or nuts.

15-year property. This class includes roads, shrubbery, wharves (if depreciable), and any municipal wastewater treatment plant.

20-year property. This class includes farm buildings and any municipal sewers.

Nonresidential real property. This class includes any real property that is not residential rental property (defined next) and any real property that is section 1250 property with a class life of 27.5 years or more. This property is depreciated over 31.5 years. Section 1250 property includes most real property. See *Section 1250 property* in Chapter 4 of Publication 544 for more information.

Residential rental property. This class includes any real property that is a rental building or structure (including mobile homes) for which 80% or more of the gross rental income for the tax year is rental income from dwelling units. If any part of the building or structure is occupied by the taxpayer, the gross rental income includes the fair rental value of the part the taxpayer occupies. This property is depreciated over 27.5 years.

A dwelling unit is a house or apartment used to provide living accommodations in a building or structure. It does not include a unit in a hotel, motel, inn, or other establishment where more than half the units are used on a transient basis.

Use of real property changed. All real property acquired before 1987 that is changed from personal use to a business or income producing use after 1986 must be depreciated under MACRS.

Office in the home. If you begin to use part of your home as an office after 1986, depreciate that part of the home as nonresidential real property under MACRS. See Publication 587 for a discussion of the tests that must be met to claim expenses, including depreciation, for the business use of your home.

Personal residences changed to rental use. If you begin to rent a residence after 1986 that was your personal residence before 1987, depreciate it as residential rental property under MACRS.

Example. You bought a house in 1980. It was your residence until May 1990, when you bought and moved into a new home. You rent the old residence to someone else. Your rental residence must be depreciated as residential rental property under MACRS.

See *Special rule* under *Excluded Property*, later, for the rules that apply when the use of personal property is changed.

Additions or improvements to property. Additions or improvements you make to any property, including ***leased property,*** are treated as separate property items for depreciation purposes. The recovery period for an addition or improvement to property begins on the later of the date the addition or improvement is placed in service or the date the property to which the addition or improvement is made is placed in service. The recovery class of the addition or improvement is the recovery class that would apply to the underlying property if it were placed in service at the same time as the addition or improvement.

Example. You own a residential rental house that you are depreciating under ACRS. If you put an addition on the house which you place in service on January 31, 1990, you use MACRS for it. Under MACRS, the addition is depreciated as residential rental property because the house to which the addition is made would be residential rental property if it had been placed in service on January 31, 1990.

Conventions

Use a half-year convention to figure the deduction for property other than nonresidential real and residential rental property. Under a special rule, you may have to use a mid-quarter convention, discussed later. For nonresidential real and residential rental property, use a mid-month convention in all situations. See the discussion of short tax years, later.

Half-year convention. Under MACRS, the half-year convention treats all property placed in service, or disposed of, during a tax year as placed in service, or disposed of, on the midpoint of that tax year.

Mid-quarter convention. If during any tax year, the total depreciable bases of MACRS property placed in service during the last 3 months of that tax year exceed 40% of the total depreciable bases of all MACRS property placed in service during that tax year, use a mid-quarter convention instead of a half-year convention. In determining the total bases of property, do not include the basis of either:

Residential rental property,

Nonresidential real property, or

Property placed in service and disposed of in the same tax year.

Under a mid-quarter convention, treat all property placed in service, or disposed of, during any quarter of a tax year as placed in service, or disposed of, on the midpoint of the quarter.

Mid-month convention. For nonresidential real and residential rental property, use a mid-month convention in all situations. Under a mid-month convention, treat all property placed in service, or disposed of, during any month as placed in service, or disposed of, on the midpoint of that month.

Depreciation Methods

Under MACRS, there are four ways you can recover the depreciable basis of your property. You can use regular MACRS that is based on a declining balance method. You can elect to use either the straight line method over the MACRS recovery period or the 150% declining balance method over the alternate MACRS recovery period. You can also elect to use an alternate method which is discussed under *Alternate MACRS Method*, later.

Under the declining balance method, you get larger deductions in the early years of the recovery period. The deduction gets smaller each year. Under the straight line method, you deduct the depreciable basis in equal annual amounts over the recovery period. The regular MACRS recovery period is generally shorter than the alternate MACRS recovery period.

MACRS method. For property in the 3-, 5-, 7-, or 10-year class, use the double (200%) declining balance method over 3, 5, 7, or 10 years. For property in the 15- or 20-year class, use the 150% declining balance method over 15 or 20 years. For those classes of property, you change to the straight line method for the first tax year for which that method, when applied to the adjusted basis at the beginning of the year, will yield a larger deduction. Always use the straight line method for nonresidential real and residential rental property.

Straight line election. Instead of using the declining balance method, you can elect to use the straight line method over the recovery period. The election to use the straight line method for one item in a property class applies to all property in that class placed in service in the tax year of the election.

The election is made by entering "S/L" in column (f) of Part II of Form 4562. The election must be made by the due date (including extensions) for the tax return for the tax year the property for which the election is made is placed in service. You must attach a statement which contains your name, address, and taxpayer identification number and identifies the election by Code section (Code section 168(b)(5)) and the property items for which the election is made.

Once made, the election to use the straight line method over the recovery period cannot be changed.

150% election. Instead of using the declining balance method over the recovery period, you can elect to use the 150% declining balance method over the alternate MACRS recovery period. (See the *Table of Class Lives and Recovery Periods*, later.) If the property does not have an alternate MACRS recovery period assigned to it, the recovery period is 12 years. You change to the straight line method when that method gives a larger deduction. The election to use the 150% declining balance method for one item in a property class applies to all property in that class placed in service in the tax year of the election.

The election is made by entering "150 DB" in column (f) of Part II of Form 4562. The election must be made by the due date (including extensions) for the tax return for the tax year the property for which the election is made is placed in service. You must attach a statement which contains your name, address, and taxpayer identification number and identifies the election by Code section (Code section 168(b)(2)) and the property items for which the election is made.

Once made, the election to use the 150% declining balance method cannot be changed.

Special Rules

There are rules that require the use of a specific depreciation method for certain property.

Farm property. Property placed in service after 1988 in a farming business must be depreciated over the MACRS recovery period using the 150% declining balance method instead of the 200% method.

Fruit or nut trees and vines. Trees and vines bearing fruit or nuts are depreciated under MACRS using the straight line method over the recovery period of 10 years. See *Alternate MACRS Method*, later, for a discussion of property that must be depreciated over the class life using the straight line method.

Property for which you must use the alternate MACRS method. Use the alternate MACRS method of computing your depreciation deduction for any tangible property used during the tax year predominantly outside the United States, any tax-exempt use property, any property to the extent it is financed (directly or indirectly) by an obligation whose interest is exempt from federal tax under section 103(a) of the Internal Revenue Code, and certain imported property. For more information,

see section 168(g) and (h) of the Internal Revenue Code of 1986.

Farmers. If you elect not to apply the uniform capitalization rules apply to any plant produced in a farming business you operate, use the alternate MACRS method. The use of the alternate MACRS method applies to all property placed in service in any tax year for which the election is in effect. See *Special Rules for Farm Property* in Chapter 7 of Publication 225, *Farmer's Tax Guide,* for a discussion of the application of the uniform capitalization rules to farm property.

Figuring MACRS Deductions

After you know the depreciable basis of the property, the date it was placed in service, the property class of the property, the applicable convention, and the MACRS depreciation method you want to use, you are ready to figure your depreciation deduction.

You can figure your MACRS depreciation deduction in one of two ways. You can use the MACRS percentages from the tables later in this part. Or you can actually compute the deduction using the applicable depreciation method and convention over the recovery period. The deduction is the same under both methods.

Percentage Tables

There are percentage tables later in this part of the publication that you can use to figure your depreciation under MACRS.

If you use the percentages from the tables to figure the depreciation deduction for an item of property, you must use the percentages from the tables to figure your deductions for this property for the entire recovery period of the property. However, you cannot continue to use the tables if there are any adjustments to the basis of the property for reasons other than:

1) Depreciation allowed or allowable, or
2) An addition or improvement to that property depreciated as a separate item of property.

For example, if the basis of the property is reduced as a result of a casualty to the property, you cannot continue to use the tables. For the year of adjustment and the remainder of the recovery period, you must compute your depreciation deduction based on the adjusted basis of the property at the end of the tax year of adjustment and the remaining recovery period.

You cannot use the tables if you have a short tax year. See *MACRS Deduction in Short Tax Year,* later.

Which Table To Use

The following list explains which table to use:

Use **Table 1** for 3–, 5–, 7–, 10–, 15–, and 20–year property if you are using the regular MACRS method and the half-year convention.

Use **Table 2** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the first quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 3** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the second quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 4** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the third quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 5** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the fourth quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 6** for residential rental property for which you do not elect to use the alternate MACRS method.

Use **Table 7** for nonresidential real property for which you do not elect to use the alternate MACRS method.

Use **Table 8** if you elect to use the straight line method over the recovery period or the alternate MACRS method and the half-year convention applies.

Use **Table 9** for property placed in service in the first quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 10** for property placed in service in the second quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 11** for property placed in service in the third quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 12** for property placed in service in the fourth quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 13** for residential rental and nonresidential real property for which you elect to use the alternate MACRS method.

Use **Table 14** if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the half-year convention applies.

Use **Table 15** for property placed in service in the first quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Use **Table 16** for property placed in service in the second quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Use **Table 17** for property placed in service in the third quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Use **Table 18** for property placed in service in the fourth quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Tables 14 through 18 are used for alternative minimum tax purposes. See Publications 909 and 542 for information on the alternative minimum tax.

How to use percentage tables. Apply the percentages in the tables to the unadjusted basis of the property each year of the recovery period. ***Unadjusted basis*** is the same amount you would use to compute a gain on a sale not reduced for any depreciation but reduced by the amount you amortize or elect to deduct under section 179, discussed in Part I.

For business property you purchase during the tax year, the unadjusted basis is the cost of the property minus any section 179 deduction taken for the property.

If you trade in property, the unadjusted basis of the property received is the cash paid plus the adjusted basis of the property traded in minus any section 179 deduction taken for the property.

Computing MACRS Deductions Without Tables

Instead of using the percentage tables to figure depreciation, you can actually compute the depreciation deduction each year. You must apply the appropriate convention for the first year.

Declining balance method. To figure your MACRS deduction, first determine your declining balance rate. Do this by dividing the specified declining balance percentage (150% or 200%) by the recovery period. For example, for 3–year property, divide 2 by 3 to get 0.6667, or 66.67%. For 15–year property, divide 1.5 by 15 to get 0.10, or 10%.

Multiply the adjusted basis of the property by the declining balance rate and apply the half-year convention to figure your depreciation for the first year. In the second year, first adjust your basis for the amount of depreciation allowable for the first year. Then multiply this adjusted basis by the same rate used in the first year.

Declining balance rates. The following table shows the applicable declining balance rate for each class of property and the first year for which the straight line method will give an equal or greater deduction. For 3–, 5–, 7–, and 10–year property the rate is based on the 200% declining balance method. For 15– and 20–year property, it is based on the 150% declining balance method.

Class	Declining balance rate	Year
3	66.67%	3rd
5	40%	4th
7	28.57%	5th
10	20%	7th
15	10%	7th
20	7.5%	9th

If you elect the 150% declining balance method over the alternate recovery period, the rate for each item of property is computed based on the recovery period for the item of property. For example, if the property has an alternate MACRS recovery period of 6 years, you get the 150% declining balance rate by dividing 1.5 by 6. This gives you a rate of 0.25, or 25%.

Straight line method. To figure your MACRS deduction under the straight line method, determine a new depreciation rate for each tax year in the recovery period. For any tax year, determine the straight line rate by dividing the number 1 by the years remaining in the recovery period at the beginning of the tax year. Apply the rate to the unrecovered basis of the property. If the remaining recovery period at the beginning of the tax year is less than 1 year, the straight line rate for that tax year is 100%.

For example, the straight line method applied to property with a 5–year recovery period results in a straight line rate of 20% (1 divided by 5) for a full tax year. After applying the half-year convention, the first year rate is 10%. At the beginning of the second year, the remaining recovery period is 4.5 years as a result of the half-year convention. The straight line rate for the second year is 22.22% (1 divided by 4.5). Apply this second year rate to the cost or other basis of the property reduced by the depreciation taken in the first year.

In the first year you claim depreciation for residential rental and nonresidential real property, you must prorate the depreciation deduction for the number of months the property is in use and apply the mid-month convention. Also, in the first year of depreciation under the alternate MACRS method, you must apportion your deduction based on the applicable convention.

Applying the convention. After you have computed the depreciation for the first tax year, you must apply the appropriate convention to get your allowable depreciation deduction.

Half-year convention. Under the half-year convention, a half-year of depreciation is allowable for the first year property is placed in service, regardless of when it is placed in service during the tax year. For each of the remaining years of the recovery period, you will take a full year of depreciation. If you hold the property for the entire recovery period, a half-year of depreciation is allowable for the year following the end of the recovery period. If you dispose of the property before the end of the recovery period, a half-year of depreciation is allowable for the year of disposition.

First, compute the depreciation for a full tax year using the method you select. Then apply the half-year convention by taking half of that amount. This can be done by dividing the full amount of depreciation by 2. The result is your depreciation deduction for the first tax year.

Mid-quarter convention. A quarter is a period of three months. The first quarter in a tax year begins on the first day of the tax year. The second quarter begins on the first day of the fourth month of the tax year. The third quarter begins on the first day of the seventh month of the tax year. The fourth quarter begins on the first day of the tenth month of the tax year. A calendar year is divided into the following quarters:

Quarter	Months
First	January, February, March
Second	April, May, June
Third	July, August, September
Fourth	October, November, December

To figure your MACRS deduction using the mid-quarter convention, first figure your depreciation for the full tax year. Then multiply by the following percentages for the quarter of the tax year the property is placed in service.

Quarter of tax year	Percentage
First	87.5%
Second	62.5%
Third	37.5%
Fourth	12.5%

Mid-month convention. Under the mid-month convention, the month property is placed in service is treated as half a month. First, compute the depreciation for a full tax year using the straight line method for residential rental or nonresidential real property. Then multiply this amount by a fraction. The numerator of the fraction is the number of months in your tax year after the month the property is placed in service plus ½ (or 0.5) for the month it is placed in service. The denominator is 12. For example, you use the calendar year and place nonresidential real property in service during August. August is treated as half a month. Therefore, you would get 4.5 months of depreciation for this property for the first tax year of use.

Examples

The following examples illustrate both methods of computing depreciation under MACRS.

Example 1. You bought for $10,000 and placed in service on August 11, 1990, an item of 7-year property. You do not elect a section 179 deduction for this property. The adjusted basis of the property is $10,000. You use the regular MACRS method. This is the only item of property placed in service during 1990. Therefore, you use the half-year convention. You ***use the percentages from the tables*** to determine your depreciation deductions. The unadjusted basis of the property is its cost of $10,000 since no section 179 deduction was elected for the property. The percentages for 7-year property using the half-year convention are found in Table 1. Multiply the unadjusted basis for the property each year by the percentages for 7-year property in Table 1. Your depreciation deduction each year of the recovery period is as follows:

Year	Basis	Percentage	Deduction
1990	$10,000	14.29%	$1,429
1991	10,000	24.49%	2,449
1992	10,000	17.49%	1,749
1993	10,000	12.49%	1,249
1994	10,000	8.93%	893
1995	10,000	8.92%	892
1996	10,000	8.93%	893
1997	10,000	4.46%	446

Example 2. Assume the same facts as in Example (1) except that you do not use the tables to compute your depreciation deductions. The declining balance rate for 7-year property is 28.57%.

You multiply $10,000 by 28.57% to get $2,857. You then modify this amount for the half-year convention, which requires you to take half of $2,857 to arrive at your depreciation for 1990 of $1,429 (rounded to next dollar) for this item of 7-year property.

You figure your 1991 depreciation deduction by subtracting $1,429 from $10,000 to get the adjusted basis of the property ($8,571). You multiply $8,571 by 28.57% to get your depreciation deduction of $2,449.

For 1992, following the same procedure, you multiply $6,122 ($8,571 − $2,449) by 28.57% to get your depreciation deduction of $1,749.

For 1993, multiply $4,373 ($6,122 − $1,749) by 28.57% for a deduction of $1,249.

For 1994, the fifth year of the recovery period, you change to the straight line method. The remaining recovery period is 3.5 years. Divide 1 by 3.5 to get 28.57% which is the same as the declining balance rate. Multiply $3,124 ($4,373 − $1,249) by 28.57% for a deduction of $893.

The remaining basis at the beginning of 1995 will be $2,231 ($3,124 − $893). The straight line rate is 40% (1 divided by 2.5 remaining years). Your depreciation deduction will be 40% of $2,231, or $892.

For 1996, your deduction will be 66.67% (1 divided by 1.5) of $1,339 ($2,231 − $892), or $893.

For 1997, your deduction will be your remaining basis of $446 ($1,339 − $893). Since at the beginning of 1997 the remaining recovery period (a half year) will be less than one year, the straight rate is 100%.

Example 3. You bought a building for $100,000 and land for $20,000 which is nonresidential real property that you placed in service in your business on October 7, 1990. You use the calendar year as your tax year. You ***use the percentages from the tables*** to determine your depreciation deductions. The unadjusted basis of the building is its cost of $100,000. The percentages for nonresidential real property using the mid-month convention are found in Table 7.

Since you use the calendar year as your tax year, October, the month the building was placed in service, is the 10th month of your tax year. You multiply the unadjusted basis for the building each year by the percentages for the 10th month in Table 7. Your depreciation deduction for each of the first 3 years of the recovery period is:

Year	Basis	Percentage	Deduction
1990	$100,000	0.661%	$661
1991	100,000	3.175%	3,175
1992	100,000	3.175%	3,175

Example 4. Assume the same facts as in Example (3) except that you do not use the tables to compute your depreciation deduction. You figure your MACRS depreciation for the building by dividing 1 by 31.5 years to get the straight line depreciation rate for a full year of 3.175%. The depreciation for a full year is $3,175 (3.175% of $100,000). Under the mid-month convention, October, the month the property is placed in service, is treated as a half month. Therefore, you would get 2.5 months of depreciation for 1990. Expressed as a percentage, 2.5 months is 20.8% (2.5 divided by 12). Your 1990 depreciation for the building is $660 (20.8% of $3,175).

For 1991, subtract $660 from $100,000 to get your unrecovered basis of $99,340 for the building. The straight line rate for the second year will be 3.196% (1 divided by the remaining recovery period of 31.29). The depreciation for the building will be 3.196% of $99,340, or $3,175.

For 1992, the unrecovered basis will be $96,164 ($99,339 − $3,175). The rate will be 3.302% (1 divided by 30.29). The depreciation will be $3,175 ($96,164 × 3.302%).

Example 5. During 1990, you bought a machine for $4,000 which you placed in service in January, office furniture for $1,000 which you placed in service in September, and a computer for $5,000 which you placed in service in October. You use the calendar year as your tax year. You ***use the percentages from the tables*** to determine your depreciation deductions. You do not elect to claim a section 179 deduction. You use the regular MACRS method. The total basis of all property placed in service in 1990 is $10,000. Since the basis of the computer ($5,000) placed in service during the last 3 months of your tax year exceeds 40% of the total basis of all property ($10,000) placed in service during 1990, use the mid-quarter convention for all three items. The machine and office furniture are 7-year property. The computer is 5-year property under MACRS.

The unadjusted basis of the machine is its cost of $4,000. The percentages for property placed in service in the first quarter are found in Table 2. Since the machine is 7-year property, use the percentages under 7-year property in Table 2. Your 1990 depreciation deduction for the machine is $4,000 times 25%, or $1,000. The deduction for 1991 will be $4,000 times 21.43%, or $857.

The unadjusted basis of the furniture placed in service in the third quarter is its cost of $1,000. The percentages for property placed in service in the third quarter are found in Table 4. Since the furniture is 7-year property, you use the percentages under 7-year property in Table 4. Your 1990 depreciation deduction for the furniture is $1,000 times 10.71%, or $107. The deduction for 1991 will be $1,000 times 25.51%, or $255.

The unadjusted basis of the computer placed in service in the fourth quarter is its cost of $5,000. The percentages for property placed in service in the fourth quarter are found in Table 5. Since the computer is 5-year property, use the percentages under 5-year property in Table 5. Your 1990 depreciation deduction for the computer is $5,000 times 5%, or $250. The deduction for 1991 will be $5,000 times 38%, or $1,900.

Example 6. Assume the same facts as in Example (5) except that you do not use the tables to determine your depreciation deductions.

Figure the depreciation for the machine ($1,000) by multiplying the cost of $4,000 by the declining balance rate of 28.57% to get the depreciation of $1,143 for a full year. Since the machine was placed in service in the first quarter of your tax year, multiply $1,143 by 87.5% (mid-quarter percentage for the first quarter) to get your deduction of $1,000 for the machine for 1990.

For 1991, figure the depreciation for the machine by subtracting the 1990 depreciation of $1,000 from the basis of $4,000 to get the adjusted basis for the machine of $3,000. Multiply

$3,000 by 28.57% to get your depreciation deduction of $857.

Follow the same procedure for the furniture. Multiply the basis of the furniture ($1,000) by 28.57% to get the depreciation of $286 for the full year. The furniture was placed in service in the third quarter of your tax year. Therefore, multiply $286 by 37.5% (mid-quarter percentage for the third quarter) to get your deduction of $107 for the furniture in 1990.

For 1991, figure the depreciation for the furniture by subtracting the 1990 depreciation of $107 from the basis of $1,000 to get the adjusted basis for the furniture of $893. Multiply $893 by 28.57% to get your depreciation deduction of $255.

Figure the depreciation for the computer by multiplying the basis of $5,000 by the declining balance rate of 40% to get the depreciation of $2,000 for a full year. The computer was placed in service in the fourth quarter of your tax year. Therefore, multiply the $2,000 by 12.5% (mid-quarter percentage for the fourth quarter) to get your deduction for the computer of $250 for 1990.

For 1991, figure the depreciation for the computer by subtracting the 1990 depreciation of $250 from the basis of $5,000 to get the adjusted basis for the computer of $4,750. Multiply $4,750 by 40% to get your depreciation deduction of $1,900.

Example 7. Sylvia Smyth bought and placed in service in her business on October 26, 1989, an item of 7-year property. She uses the calendar year as her tax year. This is the only item of property she placed in service in 1989. The property cost $20,000 and she elected a $10,000 section 179 deduction for it. Her unadjusted basis for the property is $10,000. Since it was placed in service in the last 3 months of her tax year, she used the mid-quarter convention. She figured her deduction using the percentages in Table 5 for 7-year property. For 1989 her depreciation was $10,000 × 3.57%, or $357.

In July 1990 the property was vandalized. Sylvia has a deductible casualty loss of $3,000. She spent $3,500 to put the property back in operational order. Her adjusted basis at the end of 1990 is $10,143. This is figured by subtracting the 1989 depreciation of $357 and the casualty loss of $3,000 from the unadjusted basis of $10,000. To this amount, she adds the $3,500 repair cost.

Sylvia cannot use the table percentages to figure her depreciation for this property for 1990 because of the adjustments to basis. She must compute the deduction. Since this is 7-year property, she multiplies the adjusted basis of the property, $10,143, by the declining balance rate of 28.57% to get her depreciation deduction of $2,898 for 1990.

MACRS Deduction in Short Tax Year

A short tax year is any tax year with less than 12 full months. This section discusses the rules for determining the depreciation deduction for tangible property when you place property in service in a short tax year and when you have a short tax year during the recovery period other than the year the property is placed in service.

Property placed in service in a short tax year. The half-year, mid-quarter, and mid-month conventions establish the date property is treated as placed in service and depreciation dates. Depreciation is allowable only for that part of the tax year the property is treated as in service. The recovery period begins on the placed-in-service date. The recovery period at the beginning of the next tax year is the full recovery period less that part of the first tax year for which depreciation is allowable.

For the mid-month convention, property is always treated as placed in service on the midpoint of the month it is placed in service and applied without regard to your tax year.

Half-year convention. Under the half-year convention, property is treated as placed in service on the midpoint of the tax year. For a short tax year that begins on the first day of a month or ends on the last day of a month, the tax year consists of the number of months in the tax year. If the short tax year includes part of a month, the full month is generally included in the number of months in the tax year.

The midpoint of the tax year is determined by dividing the number of months in the tax year by 2. For the half-year convention, property is treated as placed in service on either the first day or the midpoint of a month. For example, a short tax year that begins on June 20 and ends on December 31 consists of 7 months. Because you use only full months for this determination, the tax year is treated as beginning on June 1 instead of June 20. The midpoint of the tax year is 3½ months from the beginning of the tax year or the middle of September.

Example. Tara Corporation, a calendar year taxpayer, was incorporated on March 15, 1990. It has a short tax year of 10 months, ending on December 31, 1990. During the 1990 tax year, Tara placed property in service for which it uses the half-year convention. This property is treated as placed in service on the first day of the 5th month of the tax year, or August 1, 1990.

Mid-quarter convention. To determine if you must use the mid-quarter convention instead of the half-year convention, compare the basis of property placed in service in the last 3 months of your tax year to the basis of property placed in service during the full tax year. The length of your tax year is immaterial. If you have a short tax year of 3 months or less, use the mid-quarter convention for all applicable property placed in service during that tax year.

Treat property under the mid-quarter convention as placed in service on the midpoint of the quarter of the tax year. Divide a short tax year into 4 quarters and determine the midpoint of each quarter.

For a short tax year of 4 or 8 full calendar months, determine quarters on the basis of whole months. The midpoint of each quarter is either the first or the midpoint of a month.

For a short tax year of other than 4 or 8 full calendar months, determine the number of days in the tax year. Divide the number of days in the tax year by 4 to determine the length of each quarter. Divide the number of days in each quarter by 2 to determine the midpoint of the quarter. If the midpoint of a quarter is other than the first or midpoint of a month, treat the property as placed in service on the nearest preceding first or midpoint of that month.

Example. Tara Corporation, a calendar year taxpayer, was incorporated on March 15, 1990. It has a short tax year of 10 months, ending on December 31, 1990. During December 1990, it placed property in service for which it must use the mid-quarter convention. Because this is a short tax year of other than 4 or 8 full calendar months, it determines that the tax year consists of 292 days. It divides 292 by 4 to determine the length of each quarter, 73 days. It divides 73 by 2 to determine the midpoint of each quarter, or the 37th day. The following table shows the quarters of the tax year, the midpoint of each quarter, and the date in each quarter that property is treated as placed in service.

Quarter	Midpoint	Placed in service date
March 15-May 25	April 20	Middle of April
May 27-August 7	July 2	Beginning of July
August 8-October 19	September 13	Beginning of September
October 20-December 31	November 25	Middle of November

The last quarter of the short tax year begins on October 20, which is 73 days from December 31, the end of the tax year. The 37th day of the last quarter is November 25. Because the midpoint of the quarter is not the first or the midpoint of November, treat the property as placed in service in the middle of November.

Depreciation for short year. You cannot use the MACRS percentage tables to determine depreciation for a short tax year. First determine the depreciation for the full tax year. Do this by multiplying your basis in the property by the applicable depreciation rate. Then determine the depreciation for the short tax year. Do this by multiplying the depreciation for a full tax year by a fraction. The numerator of the fraction is the number of months (including parts of a month) the property is treated as in service during the tax year (applying the applicable convention). The denominator is 12.

Example 1. Tara Corporation, with a short tax year beginning on March 15 and ending on December 31, 1990, placed in service on March 16 an item of 5-year property with a basis of $100. This is the only property the corporation placed in service during the short tax year. The depreciation method for this property is the 200% declining balance method. The depreciation rate is 40% and the half-year convention is used.

The property is treated as placed in service on August 1, 1990. Tara is entitled to 5 months of depreciation for the short tax year that consists of 10 months. The corporation first multiplies the basis ($100) by 40% to get $40, the depreciation for a full tax year. This amount is then multiplied by 5, the number of months the property is treated as in service. The result is divided by 12 to arrive at $16.67, the short tax year depreciation.

Example 2. Tara Corporation, with a short tax year beginning on March 15 and ending on December 31, 1990, placed in service on October 16 an item of 5-year property with a basis of $100. This is the only property the corporation placed in service during the short tax year. The depreciation method for this property is the 200% declining balance method. The depreciation rate is 40%. The mid-quarter convention is used because the property was placed in service in the last 3 months of the tax year.

The property is treated as placed in service on September 1, 1990. Tara is entitled to 4 months of depreciation for the short tax year that consists of 10 months. The corporation first multiplies the basis ($100) by 40% to get $40, the depreciation for a full tax year. This amount is then multiplied by 4, the number of months the property is treated as in service. The result is divided by 12 to arrive at $13.33, the short tax year depreciation.

Depreciation in recovery years after short tax year. You can use either the "simplified method" or the "allocation method" to figure the depreciation for later tax years in the recovery period. The method chosen must be used consistently until the year of change to the straight line method.

Simplified method. Figure the depreciation for subsequent tax years in the recovery period under this method by multiplying the unrecovered basis of the property at the beginning of the tax year by the applicable depreciation rate.

Example. Tara Corporation has a short tax year of 10 months, ending on December 31, 1990. It placed in service an item of 5–year property with a basis of $100. It claimed depreciation of $16.67 using a depreciation rate of 40% and the half-year convention. The unrecovered basis on January 1, 1991, is $83.33 ($100 − $16.67). Tara's depreciation for its 1991 tax year will be 40% of $83.33, or $33.33.

Allocation method. Figure the depreciation for each subsequent tax year under this method by allocating to the tax year the depreciation attributable to each recovery year, or part of a recovery year, that falls within the tax year. Whether the tax year is a 12-month or short tax year, figure the depreciation by determining which recovery years are included in the tax year. For each recovery year included, multiply the depreciation attributable to each recovery year by a fraction. Its numerator is the number of months (including parts of month) that are in both the tax year and the recovery year. Its denominator is 12. The allowable depreciation for the tax year is the sum of the depreciation figured for each recovery year.

Example. Assume the same facts as in Example (1) under *Depreciation for short year* for the Tara Corporation. Its 1991 tax year is a full tax year of 12 months, beginning January 1 and ending December 31, 1991. A recovery year for the 5–year property placed in service during the 1990 short tax year extends from August 1 to July 31. Tara deducted 5 months of depreciation for the first recovery year on its 1990 tax return. Seven months of the first recovery year and 5 months of the second recovery year fall within its 1991 tax year. The depreciation for the 1991 tax year will be $33.33 which is the sum of:

$23.33—the depreciation for the short year ($40) times 7/12, and

$10—the depreciation for the second tax year ($60 ($100 − $40) × 40% or $24) times 5/12.

Short tax year after property in service. If a subsequent tax year in the recovery period is a short tax year, figure depreciation for that year by multiplying the unrecovered basis of the property at the beginning of the tax year by the applicable depreciation rate, and then by a fraction. Its numerator is the number of months (including parts of a month) in the tax year. Its denominator is 12.

More information. For more information on figuring depreciation in a short tax year, see Revenue Procedure 89-15, 1989-1 CB 816.

Alternate MACRS Method

Use the alternate MACRS method of computing your depreciation deduction for

- Any tangible property used during the tax year predominantly outside the United States,
- Any tax-exempt use property,
- Any property to the extent it is financed (directly or indirectly) by an obligation whose interest is exempt from federal tax under section 103(a) of the Internal Revenue Code, and
- Certain imported property.

For more information, see section 168(g) and (h) of the Internal Revenue Code of 1986.

Farmers. If you elect not to apply the uniform capitalization rules to any plant produced in a farming business you operate, use the alternate MACRS method. The use of the alternate MACRS method applies to all property placed in service in any tax year the election is in effect. See Publication 225, *Farmer's Tax Guide*, for a discussion of the application of the uniform capitalization rules to farm property.

Electing Alternate MACRS

If you choose, you can use the alternate MACRS method (also referred to as the "Alternative Depreciation System" or "ADS") for most property. Under this method figure depreciation using a straight line method. The recovery periods for property under the alternate MACRS method are as follows:

Property	Recovery Period
Nonresidential real and residential rental property	40 years
Automobiles and light duty trucks	5 years
Computers and peripheral equipment	5 years
Single purpose agricultural and horticultural structures	15 years
Any tree or vine bearing fruit or nuts	20 years

The alternate MACRS recovery period for many assets can be found in the *Table of Class Lives and Recovery Periods*, at the end of this part of the publication. For personal property not listed in the table, the alternate recovery period is 12 years. For section 1245 real property not listed in the table, the recovery period is 40 years.

The convention for nonresidential real and residential rental property is the mid-month convention. For all other property, the half-year or mid-quarter convention is used. Tables 8 through 13, later in this part of the publication, contain percentages for the alternate MACRS method.

Election. You make the election to use the alternate MACRS method by entering the depreciation on line 15 of Part II of Form 4562. Use line 15a for property with an alternate recovery period listed in the table. Use line 15b for personal property without a recovery period. Use line 15c for section 1245 real property, residential rental property, and nonresidential real property.

Make the election for the property by the due date (including extensions) for the tax return of the tax year the property is placed in service. Attach a statement which contains your name, address, and taxpayer identification number, and identifies the election by Code section (Code section 168(g)(7)) and the property items for which the election is made.

The election of the alternate MACRS method for one item of property in a property class applies to all property in that class placed in service during the tax year of the election. However, the election applies on a property-by-property basis for nonresidential real and residential rental property.

Once you elect to use the alternate MACRS method for an item of property, you cannot switch to any other method for that property.

Mandatory use of the straight line method for listed property, discussed later under *Partial Business Use of Listed Property*, does not have a binding effect on other depreciable property.

Excluded Property

You cannot use MACRS for certain property placed in service before 1987 (before August 1, 1986, if election made) that is transferred or converted from personal to business use after 1986 (after July 31, 1986, if election made). Property that does not come under MACRS must be depreciated under ACRS or one of the other methods of depreciation, such as straight line or declining balance, based on useful life, discussed in Part III. In addition, you can elect to exclude certain property from the application of MACRS.

Election To Exclude Certain Property

If you properly depreciate any of your property under a method of depreciation that is not based on a term of years, such as the unit-of-production method, you can elect to exclude that property from MACRS. To figure a depreciation deduction under the ***unit-of-production method***, divide the cost or other basis (less salvage) by the estimated number of units to be produced during the life of the asset. Apply the resulting amount to the units produced in a year to arrive at your depreciation for that year.

To make this election report the depreciation for the property on line 17, Part III, Form 4562, for the tax year your property is placed in service. Make the election by the due date (including extensions) of the tax return for the tax year the property for which the election is made is placed in service. You must attach a statement which contains your name, address, and taxpayer identification number, and identifies the election by Code section (Code section 168(f)(1)) and the property items for which the election is made.

If you use the standard mileage rate for an automobile you buy and use for business after 1980, you are considered to have elected to exclude the automobile from ACRS and MACRS. See Publication 917 for a discussion of the standard mileage rate.

Property Used Before 1987

There are special rules that prevent a taxpayer from using MACRS for property placed in service before 1987 (before August 1, 1986, if MACRS was elected). These rules apply to both personal and real property. However, the rules for personal property are more restrictive.

For these rules, neither real nor personal property is treated as owned before it is placed in service. Therefore, if you owned property in 1986 but do not place it in service until 1987, it is not treated as owned in 1986.

Example. Sandra Coffee bought and took delivery of an item of personal property in November 1986. The property was not installed and operational until February 1987. Although she actually owned the property in 1986, it was not placed in service until 1987. Therefore, for purposes of these rules, the property is not considered owned until 1987.

Personal property. You cannot use MACRS for most personal property (section 1245 property) that you acquired after 1986 (after July 31, 1986, if MACRS was elected) if:

1) You or a party related to you owned or used the property in 1986,
2) The property was acquired from a person who owned it in 1986 and as part of the transaction the user of the property does not change,
3) You lease the property to a person (or a person related to this person) who owned or used the property in 1986, or
4) The property is acquired in a transaction in which the user of the property does not change and the property is not MACRS property in the hands of the person from whom it is so acquired due to (2) or (3).

Real property. You cannot use MACRS for real property, other than nonresidential real property or residential rental property (real property with a class life of less than 27.5 years), placed in service after 1986 (after July 31, 1986, if MACRS was elected) if:

1) You or a party related to you owned the property in 1986, or
2) You lease the property back to the person (or a person related to this person) who owned the property in 1986, or
3) You acquire the property in a transaction in which some of your gain or loss is not recognized. MACRS applies only to the part of your basis in the acquired property that represents cash paid or unlike property given up. It does not apply to the substituted portion of the basis.

Special rule. These excluded property rules do not apply to any property if the allowable deduction for the property for the first tax year it is placed in service using ACRS is greater than the deduction under MACRS using the half-year convention.

For property placed in service before 1981 that is transferred to a related person or converted from personal to business use after 1986, use the straight line or declining balance method based on salvage value and useful life.

If property placed in service after 1980 and before 1987 is transferred to a related person or converted from personal to business use after 1986, ACRS will apply to it. However, if the depreciation under ACRS gives a greater deduction than under MACRS, it must be depreciated under MACRS.

Example 1. On January 2, 1986, you bought a light duty truck that you used only for personal purposes. You use the truck for business for all of 1990. Since you owned and used the truck in 1986, the truck is excluded property. The depreciable basis of the truck is $10,000 (the lesser of cost or fair market value on the date of change). The truck is not a passenger automobile for the deduction limits. Under ACRS, your deduction would be $2,500 (25%, first year ACRS percentage for 3–year property, of $10,000). Under MACRS, the truck would be 5–year property. To figure the deduction, you would multiply $10,000 by 40% (declining balance MACRS rate) to get $4,000 and apply the half–year convention to get a MACRS deduction of $2,000. Since the depreciation for the truck under ACRS is greater than the depreciation under MACRS, you must use MACRS to depreciate it.

Example 2. On March 3, 1990, you bought a computer from your father, who bought it on November 1, 1986. You used it only for business in 1990. Since your father owned and used the computer in 1986, it is excluded property. Its depreciable basis is $1,000. Under ACRS, your deduction would be $150 (15%, first year ACRS percentage for 5–year property, of $1,000). Under MACRS, the computer is also 5–year property. The deduction would be half of 40% of $1,000, or $200. Since the depreciation for the computer under MACRS is greater than the depreciation under ACRS, you must use ACRS to depreciate it.

Related Parties

In determining whether the owner or user of the property has changed, a person is considered related to the owner or user if he or she had a relationship described in the following rules. The determination of whether a person is related to another is made at the time the property involved is acquired. For the acquisition of property by any partnership that results from the termination of another partnership, the determination of whether the acquiring partnership is related to the other partnership is made immediately before the event resulting in the termination occurs. This rule applies when a partnership is considered terminated because of the sale or exchange, within a 12-month period, of 50% or more of the total interest in partnership capital or profits. The following are related parties:

1) An individual and a member of his or her immediate family, including a spouse, child, parent, brother, sister, half-brother, or half-sister, or any ancestor or lineal descendant.
2) A corporation and an individual who owns directly or indirectly more than 10% of the value of the outstanding stock of that corporation.
3) Two corporations that are members of the same controlled group.
4) A fiduciary of a trust and a corporation, if more than 10% of the value of the outstanding stock is owned directly or indirectly by or for the trust or by or for the grantor of the trust.
5) The grantor and fiduciary of any trust, and the fiduciary and beneficiary of any trust.
6) The fiduciaries of two different trusts, and the fiduciaries and beneficiaries of two different trusts, if the same person is the grantor of both trusts.
7) Certain education and charitable organizations and any person (if an individual, including the members of the individual's family) who directly or indirectly controls the organization.
8) A partnership and a person who owns directly or indirectly an interest of more than 10% of the capital or profits of the partnership.
9) Two partnerships, if the same persons directly or indirectly own more than 10% of the capital or profits of each.
10) The related person and a person who are engaged in trade or businesses under common control (see section 52(a) and (b) of the Internal Revenue Code).
11) Two S corporations if the same persons own more than 10% in value of the outstanding stock of each corporation.
12) An S corporation and a corporation that is not an S corporation if the same persons own more than 10% in value of the outstanding stock of each corporation.
13) A corporation and a partnership if the same persons own more than 10% in value of the outstanding stock of the corporation and more than 10% of the capital interest, or profits interest, in the partnership.

Constructive ownership of stock. To determine whether an individual constructively owns (is considered to own) any of the outstanding stock of a corporation, apply the following rules:

1) Stock owned by or for a corporation, partnership, estate, or trust is constructively owned proportionately by or for its shareholders, partners, or beneficiaries,
2) An individual constructively owns the stock owned by or for the individual's family, or
3) An individual owning, except by applying rule (2), any stock in a corporation, constructively owns the stock owned by or for the individual's partner.

For applying rules (1), (2), and (3), a person is considered to actually own stock that he or she constructively owned by applying rule (1). But if an individual constructively owns stock by applying rule (2) or (3), he or she does not own the stock for reapplying either rule (2) or (3) to make another person the constructive owner of the same stock.

Constructive ownership of a partnership interest. Apply rules (1) and (2) just discussed to determine if a person owns more than a 10% interest in the capital or profits of a partnership. A person is considered to actually own an interest that he or she constructively owns when applying rule (1). But, if an individual constructively owns an interest by applying rule (2), that individual is not considered to own the interest for reapplying rule (2) to make another person the constructive owner of that interest.

Certain nonrecognition transfers of property. MACRS does not apply to property used before 1987 (before August 1, 1986, if MACRS was elected) and transferred in certain transfers after 1986 (after July 31, 1986, if MACRS was elected) to a corporation or partnership in which the basis of the property is determined by reference to the basis of the property in the hands of the transferor or distributor.

The nontaxable transfers covered by this rule include:

1) A distribution in complete liquidation of a subsidiary,
2) A transfer to a corporation controlled by the transferor,
3) An exchange of property solely for corporate stock or securities in a reorganization,
4) A transfer of property solely in exchange for stock or securities pursuant to a reorganization as a result of bankruptcy proceedings,
5) A contribution of property to a partnership in exchange for a partnership interest, and
6) A partnership distribution of property to a partner.

When figuring depreciation, the transferee (the person getting the property) is treated as the transferor (the person giving up the property) to the extent of the amount of the transferor's adjusted basis. The transferee cannot use MACRS for the carried-over adjusted basis. However, MACRS is applicable to that part of the new basis not represented by the carried-over adjusted basis.

Dispositions

A disposition is the permanent withdrawal of property from use in your trade or business or in the production of income. A withdrawal can be made by sale, exchange, retirement, abandonment, or destruction.

You generally recognize gain or loss on the disposition of an asset by sale. Nonrecognition rules can, however, allow you to postpone some gain. See Publication 544.

Abandoned property. If you physically abandon property, you can deduct as a loss the adjusted basis of the asset at the time of its abandonment. Your intent must be to discard the asset so that you will not use it again or retrieve it for sale, exchange, or other disposition.

Early Dispositions

If you dispose of your property before the end of its recovery period, it is referred to as an early disposition. If you dispose of property depreciated under MACRS, you are allowed a depreciation deduction for the year of disposition. Determine your depreciation deduction for the year of disposition by using a half-year, mid-quarter, or mid-month convention. For residential rental and nonresidential real property, always use a mid-month convention. For all other property depreciated under MACRS, use either a half-year or mid-quarter convention depending on the convention used when the property was placed in service.

Mid-month convention used. If you dispose of residential rental or nonresidential real property, your depreciation deduction for the year of disposition is based on the number of months the property was in use. Under the mid-month convention, property disposed of anytime during a month is treated as disposed of in the middle of that month. Count the month of disposition as half a month of use.

Example. On July 2, 1988, you purchased and placed in service residential rental property. The property cost $100,000, not including the cost of land. You file your tax return based on the calendar year. You used Table 6 to figure your MACRS depreciation for this property. You sold the property on March 2, 1990.

The depreciation for a full tax year is $3,636. This is $100,000 multiplied by .03636, the percent for the 7th month of the 3rd recovery year from Table 6. The $3,636 must be prorated for the 2½ months of use in 1990. Multiply $3,636 by 2.5 and

divide by 12 to get your 1990 depreciation deduction of $757.50.

Half-year convention used. For property for which you used a half-year convention, the deduction for the year of disposition is half the depreciation determined for the full year.

Mid-quarter convention used. For property for which you used the mid-quarter convention, first determine the depreciation for the full year. Then multiply by the following percentages for the quarter of the tax year you disposed of the property.

Quarter of tax year	Percentage
First	12.5%
Second	37.5%
Third	62.5%
Fourth	87.5%

Example. On December 1, 1988, you placed an item of 5–year property in service in your business. The property cost you $10,000 and you did not claim a section 179 deduction for it. Your basis for the property is $10,000. This is the only item of business property placed in service in 1988. Since the property was placed in service during the last 3 months of your tax year, you had to use the mid-quarter convention for this item of property. You figured your depreciation deduction for the property using Table 5 for 5–year property. Your deduction for 1988 and 1989 for the property was $500 (5% of $10,000) and $3,800 (38% of $10,000). If you dispose of the property on April 6, 1990, figure your 1990 depreciation using the mid-quarter convention. First figure the deduction for a full year, which is $2,280 (22.8% of $10,000). April is in the second quarter of the tax year. Therefore, multiply $2,280 by 37.5% to get your depreciation deduction of $855 for 1990.

Short tax year. Figure the depreciation for property disposed of in a short tax year by multiplying the unrecovered basis of the property by the depreciation rate and then by a fraction. Its numerator is the number of months the property is considered in service. The denominator is 12.

Depreciation Recapture

All gain on the disposition of property, other than residential rental and nonresidential real property, depreciated under MACRS is recaptured as ordinary income to the extent of previously allowed depreciation deductions. For this rule, any section 179 deduction claimed on the property is treated as depreciation. For residential rental and nonresidential real property, there is no recapture of previously allowed depreciation. For more information, see Publication 544.

Passenger Automobiles

For passenger automobiles placed in service after June 18, 1984, the total of the section 179 deduction and depreciation deduction that can be claimed is limited.

Maximum deduction for 1990. The maximum depreciation deduction you can claim for a passenger automobile for 1990 is determined by the date you place the automobile in service. The maximum deductions for 1990 are:

Date Placed in service	1990 Maximum
After June 18, 1984 Before January 1, 1985	$6,000
After December 31, 1984 Before April 3, 1985	$6,200
After April 2, 1985 Before January 1, 1987	$4,800
After July 31, 1986 Before January 1, 1987 if MACRS elected for automobile	$1,475
In 1987	$1,475
In 1988	$2,450
In 1989	$4,200

For passenger automobiles placed in service during 1990, the depreciation deduction, including the section 179 deduction, cannot be more than $2,660 for 1990 (the first tax year of the recovery period). For 1991 and 1992 (second and third years), the depreciation deduction will be limited to $4,200 and $2,550, respectively. The maximum will be $1,475 in each succeeding tax year.

These limits are further reduced if your business use is less than 100%.

No deduction is allowed for the use of listed property (including passenger automobiles) regardless of the date the property is placed in service, unless the use is substantiated by adequate records or by sufficient evidence supporting the taxpayer's own statements. See *Recordkeeping for Listed Property,* under *Partial Business Use of Listed Property,* later.

A ***passenger automobile*** is any four-wheeled vehicle manufactured primarily for use on public streets, roads, and highways and rated at 6,000 pounds or less of unloaded gross vehicle weight (at 6,000 pounds or less of gross vehicle weight for trucks and vans). It includes any part, component, or other item physically attached to the automobile or traditionally included in the purchase price of an automobile.

A passenger automobile does not include:

1) An ambulance, hearse, or combination ambulance-hearse used by the taxpayer directly in a trade or business, and
2) A vehicle used by the taxpayer directly in the trade or business of transporting persons or property for compensation or hire.

Example 1. On April 15, 1990, Virginia Hart buys a car for $10,000. She uses the car only in her business. She files her return based on the calendar year. Under MACRS, a car is 5–year property. Because the car was placed in service on April 15 and used only for business, she finds the percentage for 5–year property in Table 1 to figure the depreciation on the car. She multiplies the cost of the car ($10,000) by 0.20 to get her depreciation of $2,000 for 1990. This $2,000 is below the maximum deduction of $2,660 for passenger automobiles placed in service in 1990. Therefore, she can deduct the full $2,000.

Example 2. On September 24, 1990, Donald Banks buys a car for $15,000. He uses the car 60% for business during 1990. He files his return based on the calendar year. Under MACRS, a car is 5–year property. He finds the percentages in Table 1 for 5–year property to figure the depreciation on the car. The depreciable basis for the car is 60% of $15,000, or $9,000, for 1990. He multiplies his depreciable basis of $9,000 by 0.20 to get depreciation of $1,800. The maximum that can be deducted for a car placed in service in 1990 and used 60% for business is $1,596, or 60% of $2,660. He can take a depreciation deduction of $1,596 for this car on his 1990 tax return.

More information. For a detailed discussion of passenger automobiles, including leased passenger automobiles, see Publication 917.

Partial Business Use of Listed Property

If "listed property," defined later, placed in service after June 18, 1984, is not used predominantly (more than 50%) in a qualified business use during any tax year, the section 179 deduction on the property is not allowed and the property must be depreciated using the straight line method.

Listed property placed in service after 1986. For listed property placed in service after 1986, or after July 31, 1986, if MACRS elected, that is not used predominantly in a qualified business use, figure the depreciation using the straight line method over the alternate MACRS recovery period.

Listed property placed in service before 1987. For listed property placed in service before 1987, depreciate the property over the following period:

Class of Property	Listed Property Recovery Period
3–year property	5 years
5–year property	12 years
10–year property	25 years
18–year real property	40 years
19–year real property	40 years

If you are required to use the above recovery periods for listed property not used predominantly in a trade or business, use the percentages from Table XVI titled *Listed Property Not Used Predominantly (other than 18– or 19–year real property),* and Table XVII for 18– or 19–year real property, near the end of Part III of this publication.

The mandatory use of the straight line method for listed property is not an election of the straight line method for other property in the same class as the listed property.

Listed Property Defined

The property placed in service after June 18, 1984, to which the predominant use rules apply includes the following:

1) Any passenger automobile (defined under *Passenger Automobiles,* earlier).
2) Any other property used as a means of transportation.
3) Any property of a type generally used for entertainment, recreation, or amusement (including property such as photographic, phonographic, communication, and video recording equipment).
4) Any computer and related peripheral equipment, as defined later, except for any computer (including peripheral equipment) used only at a regular business establishment and owned or leased by the person operating the establishment. A regular business establishment includes a portion of a dwelling unit if, and only if, that portion is used both regularly and exclusively for business as discussed in Publication 587.
5) Any cellular telephone (or similar telecommunication equipment) placed in service or leased in a tax year beginning after 1989.

Other Property Used as a Means of Transportation.

This includes trucks, buses, boats, airplanes, motorcycles, and any other vehicles for transporting persons or goods.

It does not include any vehicle which, by reason of its nature (design), is not likely to be used more than a de minimis amount for personal purposes, such as, clearly marked police and fire vehicles, ambulances or hearses used as such, any vehicle

designed to carry cargo with a loaded gross vehicle weight over 14,000 pounds, bucket trucks ("cherry pickers"), cement mixers, combines, cranes and derricks, delivery trucks with seating only for the driver (or only for the driver plus a folding jump seat), dump trucks (including garbage trucks), flatbed trucks, forklifts, passenger buses used as such with a capacity of at least 20 passengers, qualified moving vans, qualified specialized utility repair trucks, refrigerated trucks, school buses, tractors and other special purpose farm vehicles, and unmarked vehicles used by law enforcement officers if the use is officially authorized.

Nor does it include any vehicle if substantially all its use is in the trade or business of providing to unrelated persons services that consist of the transportation of persons or property for compensation or hire, such as a taxicab.

Computers

A computer is a programmable electronically activated device that:

1) Is capable of accepting information, applying prescribed processes to the information, and supplying the results of these processes with or without human intervention, and
2) Consists of a central processing unit containing extensive storage, logic, arithmetic, and control capabilities.

Related peripheral equipment is any auxiliary machine (whether on-line or off-line) which is designed to be placed under the control of the central processing unit of a computer.

Computer or peripheral equipment does not include:

1) Any equipment which is an integral part of other property which is not a computer,
2) Typewriters, calculators, adding and accounting machines, copiers, duplicating equipment, and similar equipment, and
3) Equipment of a kind used primarily for amusement or entertainment of the user.

Improvements to Listed Property

An improvement made to listed property that must be capitalized is treated as a new item of depreciable property. The period and method that apply to the listed property as a whole also apply to the improvement. For example, if the listed property must be depreciated using the straight line method, the improvement must also be depreciated using the straight line method.

Qualified Business Use

A qualified business use is any use in your trade or business. Qualified business use does not include use of property held merely for the production of income (investment use).

Nor does qualified business use include:

1) The leasing of property to any ***5% owner or related person*** (to the extent that the use of the property is by a 5% owner or person related to the owner or lessee of the property),
2) The use of property as compensation for the performance of services by a ***5% owner or related person,*** or
3) The use of property as compensation for the performance of services by any person (other than a ***5% owner or related person***) unless an amount is included in that person's gross income for the use of the property and, where required, there has been withholding of income tax on that amount. See *Employees*, later.

If at least 25% of the total use of any aircraft during the tax year is for a qualified business use, the leasing or compensatory use of the aircraft by a 5% owner or related person is considered a qualified business use.

A ***5% owner*** of a corporation is any person who owns, or is considered to own, more than 5% of the outstanding stock of the corporation or stock possessing more than 5% of the total combined voting power of all stock in the corporation. For a business other than a corporation, a 5% owner is any person who owns more than 5% of the capital or profits interest in the business.

A ***related person*** is any person related to a taxpayer as discussed under *Related Parties*, earlier. However, the percentage of ownership for the listed property rules is "more than 50%" instead of "more than 10%."

Example 1. John King is the proprietor of a plumbing contracting business. John's brother, Richard, is employed by John's company. As part of his compensation, Richard is allowed to use one of the company automobiles for personal use. Richard includes the value of the use of the automobile in gross income, and John properly withholds tax on this compensation. The use of the company automobile by Richard (a related person) is not a qualified business use. If Richard uses the automobile 60% in connection with John's business and 40% for personal purposes, the 40% is included in Richard's income and subject to withholding. The company's total business use is 100% and the company's qualified business use is 60%.

Example 2. John, in Example (1), allows employees unrelated to him to use company automobiles as part of their compensation. The employees, however, do not include the value of these automobiles in their gross income and John does not withhold tax on the use of these automobiles. The use of company automobiles by the employees is not a qualified business use.

Example 3. Joyce, Inc. owns several automobiles which its employees use for business purposes. The employees are also allowed to take the automobiles home at night. However, the fair market value of the use of the automobile for any personal purpose, such as commuting to work, is reported by Joyce as income to the employee and tax is withheld by Joyce. The use of the automobile by the employee, even for personal purposes, is a qualified business use for Joyce, Inc.

Investment use. The use of listed property in the production of income is not a qualified business use. Whether the use of the straight line method is required for listed property is determined by reference to the qualified business use (use in a trade or business) rather than by reference to business/investment use. The use of listed property for entertainment, recreation, or amusement purposes is treated as a qualified business use only to the extent that expenses (other than interest and property tax expenses) attributable to the use are deductible as ordinary and necessary business expenses. See Publication 463, *Travel, Entertainment, and Gift Expenses.*

Employees. Any use by an employee of his own listed property (or listed property that the employee rents) in the performance of services as an employee is not business/investment use unless that use is for the convenience of the employer and required as a condition of employment.

Whether the use of listed property is for the convenience of the employer must be determined from all the facts. The use is considered for the employer's convenience if it is for a substantial business reason of the employer. The use of the listed property during the employee's regular working hours in carrying on the employer's business will generally be considered for the employer's convenience.

Whether the use of listed property is a condition of employment depends on all the facts and circumstances. The use of property must be required for the employee to perform employee duties properly. The employer need not explicitly require the employee to use the property. A mere statement by the employer that the use of the property is a condition of employment is not sufficient.

Example 1. Ann Postman is employed as a courier with We Deliver which provides local courier services. She owns and uses a motorcycle to deliver packages to downtown offices for We Deliver. We Deliver explicitly requires all delivery persons to own a small car or motorcycle for use in their employment with the company. The company reimburses delivery persons for their costs. Ann's use of the motorcycle for delivery purposes is for the convenience of We Deliver and is required as a condition of employment.

Example 2. Bill Nelson is an inspector for Uplift, a construction company with many construction sites in the local area. He must travel to the various construction sites on a regular basis. Uplift does not furnish him an automobile or explicitly require him to use his own automobile. However, Uplift reimburses him for any costs he incurs in traveling to the various job sites. The use of his own or a rental car in his employment is for the convenience of Uplift and is required as a condition of employment.

Example 3. Assume the same facts as in Example (2), except that Uplift makes a car available to Bill who chooses to use his own car and receive reimbursement. The use of his own car is not for the convenience of Uplift and is not required as a condition of employment.

Example 4. Marilyn is a pilot for Y Company, a small charter airline. Y requires pilots to obtain 80 hours of flight time annually in addition to the hours of flight time spent with the airline. Pilots can usually obtain these hours by flying with the Air Force Reserve or by flying part-time with another airline. Marilyn owns her own airplane. The use of her airplane to obtain the required flight hours is not for the convenience of the employer and is not a required condition for employment.

Example 5. David Rule is employed as an engineer with Zip, an engineering contracting firm. He occasionally takes work home at night rather than work late in the office. He owns and uses a computer which is virtually identical to the one he uses at the office to complete his work at home. His use of the computer is not for the convenience of his employer and is not a required condition for employment.

Employee deductions. Employees who meet the convenience of the employer and the conditions of employment tests can deduct depreciation, or rental costs, for the business use of listed property. Employees use Form 2106, *Employee Business Expenses.*

Commuting. Commuting is not business use, regardless of whether work is performed during the trip. For example, a business telephone call made on a car telephone while commuting to work does not change the character of the trip from commuting to business. This is also true for a business meeting held in a car while commuting to work. Similarly, a business call made on an otherwise personal trip does not change the trip from personal to business. The fact that an automobile is used to display material that advertises the owner's or user's trade or business does not convert an otherwise personal use into business use.

Use of your passenger automobile by another person. Any use of your automobile by another person is not treated as use in a trade or business unless that use:

1) Is directly connected with your business,
2) Is properly reported by you as income to the other person and, if required, tax is withheld on the income, or
3) Results in a payment of fair market rent.

Any payment to you for the use of the automobile is treated as a payment of rent for (3) above.

Predominant Use Test

Listed property is predominantly used in a qualified business use for any tax year if the business use is more than 50% of the total use of the property. You must allocate the use of any listed property that is used for more than one purpose during the tax year to the various uses of that property. The percentage of investment use of listed property is not part of the percentage of qualified business use for purposes of the more than 50% test. However, the combined total business and investment use is taken into account to figure the depreciation deductions for the property. Property does not cease to be used predominantly in a qualified business use because of a transfer at death.

Example 1. Sarah Bradley uses a home computer 50% of the time to manage her investments. She also uses the computer 40% of the time in her part-time consumer research business. Because her business use of the computer does not exceed 50%, the computer is not predominantly used in a qualified business use for the taxable year. Her business/investment use for determining her percent of the total allowable straight line depreciation is 90%.

Example 2. Assume that Sarah in Example (1) uses the computer 30% of the time to manage her investments and 60% of the time in her consumer research business. Her business use exceeds 50%. Her business/investment use for determining her allowable depreciation deduction is 90%.

Method of Allocating Use

For passenger automobiles and other means of transportation, allocate the use of the property on the basis of mileage. Determine the percentage of qualified business use by dividing the number of miles the vehicle is driven for business during the year by the total number of miles the vehicle is driven during the year.

For other listed property, its allocation of use is made on the basis of the most appropriate unit of time. For example, determine the percentage of use of a computer in a trade or business for a tax year by dividing the number of hours the computer is used for business purposes during the year by the total number of hours the computer is used for any purpose during the year.

Meeting the Predominant Use Test

You must meet the predominant use test each year of the recovery period for the item of listed property. For example, if you place in service after June 18, 1984, and before 1987, an item of listed property that is 5-year property, you must apply the predominant use test to that property each year for 12 recovery years. If you place an item of listed property in service after 1986, you must apply the predominant use test to that property each year of the alternate MACRS recovery period.

First recovery year. If any listed property placed in service after 1986 is not used predominantly in a qualified business use in the year it is placed in service, figure the depreciation deduction using the alternate MACRS method. No section 179 deduction is allowable for the property.

Example. On July 1, 1990, James Wand bought and placed in service a computer, which is 5-year property, for $4,000. In 1990 he uses the computer 40% in a qualified business use, 30% for the production of income, and 30% for personal use. Since the qualified business use is only 40%, he is not allowed any section 179 deduction. He must also use the alternate MACRS method over a 5-year recovery period to figure his depreciation deduction for 1990. He takes 40% of $400 (½ × 20% × $4,000) to determine his business use depreciation deduction of $160. He uses 30% of $400 to figure his investment use depreciation of $120. The other 30% (personal use percentage) is not deductible.

Years after the first recovery year. If any listed property is used predominantly in a qualified business use in the tax year the property is placed in service but not in a subsequent tax year during the listed property recovery period, determine your depreciation for property placed in service before 1987 using Table XVI or XVII, in Part III of this publication. For property placed in service after 1986, use the alternate MACRS method. Determine your depreciation for the tax year and any subsequent tax years as if that listed property were not used predominantly in a qualified business use in the year it was placed in service.

Any ***excess depreciation*** must be included in gross income and added to the property's adjusted basis for the first tax year the property is not predominantly used in a qualified business use. Excess depreciation is the excess (if any) of:

1) The amount of the depreciation deductions allowable for the property (including any section 179 deduction elected for that property) for tax years before the first tax year the property was not predominantly used in a qualified business use, over
2) The amount of the depreciation deductions which would have been allowable for those years if the property were not used predominantly in a qualified business use for the year it was placed in service (in other words, using the percentages from Table XVI or XVII or the alternate MACRS method).

For information on investment credit recapture, see the instructions for Form 4255, *Recapture of Investment Credit.*

Example 1. On June 25, 1986, Ellen Rye purchased and placed in service a pickup truck with a gross vehicle weight of 7,000 pounds at a cost of $18,000. She used it only in a qualified business use for 1986, 1987, and 1988. Since the pickup truck weighs over 6,000 pounds, it is not a passenger automobile for the limits discussed under *Passenger Automobiles,* earlier. Using the section 179 deduction and the regular ACRS percentages for 3-year property, she recovers her cost in full. During 1990, she uses the truck 50% for business and 50% for personal purposes. She must include in gross income for 1990 her excess depreciation determined as follows:

Total depreciation claimed		$18,000
Total listed property, depreciation allowable (Table XVI):		
1986—10% of $18,000	$1,800	
1987—20% of $18,000	$3,600	
1988—20% of $18,000	$3,600	
1989—20% of $18,000	$3,600	12,600
Excess depreciation		$ 5,400

In 1990, Ellen must include $5,400 in gross income. Her adjusted basis for the property is also increased by $5,400. Her 1990 depreciation deduction is $1,800 (20% (fifth year percentage) × $18,000 (unadjusted basis) × 50% (business use percentage)).

Example 2. Assume the same facts as in Example (1), except that in 1991 Ellen uses the truck only in business. She must continue to use Table XVI. Her 1991 depreciation deduction for the truck will be $1,800 (10% (sixth year percentage) of $18,000). She cannot deduct any depreciation in 1992.

Personal use–deductions in later years. When listed property (other than passenger automobiles) is used for business, investment, and personal purposes, no deduction is allowable for the personal use either in the current or a later tax year. In later tax years, you must determine if there is any unadjusted or unrecovered basis remaining before you compute the depreciation deduction for that tax year. In making this determination, figure the depreciation deductions for earlier tax years as if the listed property were used 100% for business or investment purposes in the earlier tax years, beginning with the first tax year in which some or all use of the property is business or investment use. See *Partial Business Use* in Publication 917.

Example. On October 1, 1986, Betty Sue Weeks purchased and placed in service a home computer (5-year recovery property under ACRS). The computer was installed in her basement for use in her trade or business which she operates out of her home. However, her basement is not used regularly and exclusively for business purposes. Therefore, the home computer is listed property. Her business use percentage for the computer in 1986 through 1990 is 80% each year. She claims depreciation using the regular ACRS percentages for these years based on the business use percentages.

In 1991, Betty Sue uses the computer 100% in a qualified business use. However, she cannot claim any depreciation in 1991 because there is no remaining basis to be recovered. If the property, which is 5-year property, had been used 100% in business, it would have been depreciated in full after 5 years under the regular ACRS method. Her unrecovered basis will be zero.

Leased Property

The predominant use rules generally apply to the rental of listed property. The following discussion covers the rules that apply to the lessor (the owner of the property) and the lessee (the person who rents the property from the owner). See *Leasing a Car* in Publication 917 for a discussion of leased passenger automobiles.

Lessor. The mandatory use of the listed property recovery periods generally does not apply to any listed property leased, or held for leasing, by any person regularly engaged in the business of leasing listed property. However, it applies to any listed property that is rented, or held for rent, by a lessor not regularly engaged in the business of leasing listed property. The mandatory use of the listed property recovery periods applies to any listed property used for personal purposes by the lessor even though the lessor is regularly engaged in the business of holding listed property for lease.

A person is considered ***regularly engaged in the business of leasing*** listed property only if contracts for the leasing of listed property are entered into with some frequency over a continuous period of time. This determination is made on the basis of the facts and circumstances in each case and takes into account the nature of the person's business in its entirety. Occasional or incidental leasing activity is insufficient. For example, a person leasing only one passenger automobile during a tax year is not regularly engaged in the business of leasing automobiles. In addition, an employer who allows an employee to use the employer's property for personal purposes and charges the employee for the use of the property is not regularly engaged in the business of leasing the property used by the employee.

Lessee. For listed property (other than passenger automobiles) leased after June 18, 1984, the lessee must include an inclusion amount in gross income for the first tax year the property is not used predominantly in a qualified business use.

The inclusion amount for listed property leased after 1986 is the sum of amount A and amount B.

Amount A. Amount A is the product of:

1) The fair market value of the property, times
2) The business/investment use for the first tax year the business use percentage is 50% or less, times

3) The applicable percentage from Table XXI (near the end of this part of the publication).

Amount B. Amount B is the product of:

1) The fair market value of the property times
2) The average of the business/investment use for all tax years the property is leased that precede the first tax year the business use percentage is 50% or less, times
3) The applicable percentage from Table XXII (near the end of this part of the publication).

Example. On February 1, 1989, Larry House, a calendar year taxpayer, leased and placed in service a computer with a fair market value of $3,000. The lease is for a period of two years. His qualified business use of the property is 80% in tax year 1989, 40% in 1990, and 35% in 1991. He must add an inclusion amount to gross income for 1990, the first tax year he does not use the computer more than 50% for business. Since 1990 is the second tax year of the lease and the computer has a 5–year recovery period under both MACRS and the alternate MACRS method, the applicable percentage from Table XXI is −7.2%. The applicable percentage from Table XXII is 10%. His inclusion amount is $154, which is the sum of −$86 (amount A) and $240 (amount B). Amount A is −$86 ($3,000 × 40% × (−7.2%)). Amount B is $240 ($3,000 × 80% × 10%).

Inclusion amount before 1987. The inclusion amount for property leased before 1987 was determined by multiplying the fair market value of the property by both the average business/investment use percentage and the applicable percentage. The applicable percentages for listed property that is 3–, 5–, or 10–year recovery property are found in Tables XVIII, XIX, and XX near the end of Part III of this publication.

The ***fair market value*** is the value on the first day of the lease term. If the capitalized cost of an item of listed property is specified in the lease agreement, the lessee must treat that amount as the fair market value.

The average business/investment use of any listed property is the average business/investment use for the first tax year the business use percentage is 50% or less and all prior tax years the property is leased.

The ***lease term*** for any listed property other than 18– or 19–year real property, and residential rental or nonresidential real property, includes options to renew. For 18– or 19–year real property and residential rental or nonresidential real property that is listed property, the period of the lease does not include any option to renew at fair market value, determined at the time of renewal. Two or more successive leases which are part of the same transaction (or a series of related transactions) for the same or substantially similar property are treated as one lease.

Special rules. If:

The lease term begins within 9 months before the close of the lessee's tax year,

The property is not predominantly used in a qualified business use during that portion of the tax year, and

The lease term continues into the lessee's next tax year,

the inclusion amount is added to gross income in the lessee's next tax year and the amount is determined by taking into account the average of the business/investment use for both tax years and the applicable percentage for the tax year the lease term begins.

If the lease term is less than one year, the amount included in gross income is the amount that bears the same ratio to the additional inclusion amount as the number of days in the lease term bears to 365.

The inclusion amount cannot exceed the sum of the deductible amounts of rent allocable to the lessee's tax year in which the inclusion amount must be included in gross income.

Example 1. On August 1, 1989, Julie Rule, a calendar year taxpayer, leased and placed in service an item of listed property that is 5–year property, with a fair market value of $10,000. The property has a recovery period of 5 years under the alternate MACRS method. The lease is for 5 years. Her qualified business use of the property is 50% in 1989 and 90% in 1990. She pays rent of $3,600 for 1990 of which $3,240 is deductible. She must include $147 in gross income in 1990. The $147 is the total of amount A and amount B. Amount A is $147 (10,000 × 70% × 2.1%), the product of the fair market value, the average business use for 1989 and 1990, and the applicable percentage for year one from Table XXI. Since the applicable percentage for year one from Table XXII is 0%, amount B is zero.

Example 2. On October 1, 1989, John Joyce, a calendar year taxpayer, leased and placed in service an item of listed property that is 3–year property, with a fair market value of $15,000. The property has a recovery period of 5 years under the alternate MACRS method. The lease term is for 6 months (ending on March 31, 1990) during which he uses the property 45% in business. He must include $71.07 in gross income in 1990. The $71.07 is the total of amount A and amount B. Amount A is $71.07 ($15,000 × 45% × 2.1% × 183/365), the product of the fair market value, the average business use for both years, and the applicable percentage for year one from Table XXI, prorated for the length of the lease. Since the applicable percentage for year one from Table XXII is 0%, amount B is zero.

Recordkeeping for Listed Property

No deduction is allowed for the use of any listed property unless the use is substantiated by ***adequate records*** or sufficient evidence corroborating a taxpayer's own statement.

For listed property placed in service after June 18, 1984, the records must be kept for any tax year for which excess depreciation can be recaptured. Recapture can occur for property placed in service before 1987 in any tax year for which a percentage is provided in the listed property table. For example, for 3–year recovery property, you must keep adequate records for 6 years even if you fully depreciate the property in the 3 years of the regular recovery period.

For property placed in service after 1986, recapture can occur in any tax year of the alternate MACRS recovery period.

Substantiation

No deduction or credit will be allowed for any listed property unless you substantiate each element of the expenditure or use by adequate records or by sufficient evidence corroborating your statements. An expenditure includes expenses and items such as losses and depreciation.

Elements of an expenditure or use. The records or other evidence must substantiate:

1) The amount of each separate expenditure, such as the cost of acquisition, the cost of maintenance and repairs, the cost of capital improvements, lease payments, and any other expenditures,
2) The amount of each business/investment use (based on an appropriate measure, such as mileage for vehicles and time for other listed property), and the total use of the property for the tax year,
3) The date of the expenditure or use, and
4) The business or investment purpose for the expenditure or use.

A taxpayer must prove each element of an expenditure or use. Written evidence is better proof than oral evidence alone. The value of written evidence is greater the closer in time it relates to the expenditure or use. A daily contemporaneous log is not required, but a record of elements of an expenditure or business use of listed property made at or near the time of the expenditure or use, supported by sufficient documentary evidence, is more credible than a statement prepared later when there is generally a lack of accurate recall. Therefore, the evidence required to support a statement not made at or near the time of the expenditure or use must have a high degree of probative value to make that statement as credible as a record made at or near the time of the expenditure or use supported by sufficient documentary evidence.

Adequate records. To meet the adequate records requirement, a taxpayer must maintain an account book, diary, log, statement of expense, trip sheet, or similar record and documentary evidence that, in combination, are sufficient to establish each element of an expenditure or use. It is not necessary to record information in an account book, diary, log, statement of expense, or similar record that duplicates information reflected on a receipt so long as the records and receipt complement each other in an orderly manner.

Timeliness. The elements of an expenditure or use must be recorded at a time when, in relation to the use or making of an expenditure, the taxpayer has full present knowledge of each element of the expenditure or use, such as the amount, time, place, and business purpose of the expenditure and business relationship. An expense account statement which is a transcription of an account book, diary, log, or similar record prepared or maintained at or near the time of the expenditure or use will be considered a timely prepared or maintained record if the expense account statement is submitted by an employee to his employer or by an independent contractor to his client or customer in the regular course of good business practice. For example, a log maintained on a weekly basis, which accounts for use during the week, will be considered a record made at or near the time of the use.

Substantiation of business purpose. A written statement of business purpose is generally required to constitute an adequate record of business purpose. However, the degree of substantiation necessary to establish business purpose depends on the facts and circumstances of each case. Where the business purpose is evident from the surrounding facts and circumstances, a written explanation of the business purpose will not be required. For example, a salesman calling on customers on an established sales route will ordinarily not need a written explanation of the business purpose of the travel.

Substantiation of business use. An adequate record contains sufficient information on each element of every business/investment use. The level of detail required to substantiate the use depends on the facts and circumstances. For example, a taxpayer whose only business use of a truck is to make deliveries to customers on an established route can satisfy the requirement by recording the length of the delivery route once, the total number of miles driven during the tax year, and the date of each trip at or near the time of the trips.

An adequate record generally must be written. However, a record of the business use of listed property, such as a computer or automobile, prepared in a computer memory device with the aid of a logging program is an adequate record.

Confidential information. If any information on the elements of an expenditure or use is confidential, the information need not be set forth in the account book, etc., provided the information is

recorded at or near the time of the expenditure or use and is elsewhere available to the district director to substantiate the element of the expenditure or use.

Substantial compliance. If a taxpayer has not fully substantiated a particular element of an expenditure or use, but has established having complied with the adequate record requirements for the expenditure or use to the satisfaction of the district director, the taxpayer is permitted to establish such element by evidence which the district director deems adequate.

If the taxpayer fails to establish to the satisfaction of the district director that he has substantially complied with the adequate records requirements for an element of an expenditure or use, the taxpayer must establish the element:

1) By the taxpayer's own statement, whether written or oral, containing specific information in detail as to the element, and
2) By other evidence sufficient to establish the element.

If the element is the cost or amount, time, place, or date of an expenditure or use, the corroborative evidence must be direct evidence, such as a statement in writing or the oral testimony of witnesses setting forth detailed information about the element or the documentary evidence. If the element is the business purpose of an expenditure, the corroborative evidence can be circumstantial evidence.

Sampling. A taxpayer can maintain an adequate record for portions of a tax year and use that record to substantiate the amount of business/investment use for the entire tax year if it can be demonstrated by other evidence that the periods for which an adequate record is maintained are representative of the use throughout the tax year.

Example 1. Denise Williams, a sole proprietor and calendar year taxpayer, operates an interior decorating business out of her home. She uses an automobile for local business travel to visit the homes or offices of clients, meet with suppliers and other subcontractors, and pick up and deliver items to clients. There is no other business use of the automobile, but she and other members of her family use the automobile for personal purposes. She maintains adequate records for the first 3 months of 1990 indicating that 75% of the use of the automobile was in her business. Invoices from subcontractors and paid bills indicate that her business continued at approximately the same rate for the remainder of 1990. If other circumstances do not change, such as the purchase of a second car for exclusive use in her business, the determination that the business/investment use of the automobile for the tax year is 75% is based on sufficient corroborative evidence.

Example 2. Assume the same facts as in Example (1) except that Denise maintains adequate records during the first week of every month, which indicate that 75% of the use of the automobile is in her business. The invoices from her business indicate that her business continued at the same rate during the subsequent weeks of each month so that her weekly records are representative of each month's business use of the automobile. Therefore, the determination that the business/investment use of the automobile for the tax year is 75% is based on sufficient corroborative records.

Example 3. Bill Baker, a sole proprietor and calendar year taxpayer, is a salesman in a large metropolitan area for a company that manufactures household products. For the first three weeks of each month, he occasionally uses his own automobile to travel within the metropolitan area on business. During these three weeks, his use of the automobile for business purposes does not follow a consistent pattern. During the fourth week of each month, he delivers all orders taken during the previous month. Bill's use of his automobile for business, as substantiated by adequate records, is 70% of the total use during that fourth week. A determination based on the record maintained during the fourth week of a month that the business/investment use of the automobile for the tax year is 70% is not based on sufficient corroborative evidence because use during that week is not representative of the use during other periods.

Separate or aggregate business uses. Each use by the taxpayer is ordinarily considered to constitute a separate use. However, repetitious uses can be substantiated as a single item.

Each expenditure is recorded as a separate item and not aggregated. However, at the taxpayer's option, amounts expended in the use of listed property during a tax year, such as for gasoline or automobile repairs, can be aggregated. If these expenses are aggregated, the taxpayer need not prove the business purpose of each expense, but can prorate the expenses based on the total business use of the listed property.

Uses which can be considered part of a single use, such as a round trip or uninterrupted business use, can be accounted for by a single record. For example, use of a truck to make deliveries at several different locations which begins and ends at the business premises and which can include a stop at the business premises in between two deliveries can be accounted for by a single record of miles driven. Use of a passenger automobile by a salesman for a business trip away from home over a period of time can be accounted for by a single record of miles traveled. De minimis personal use (such as a stop for lunch on the way between two business stops) is not an interruption of business use.

Loss of records. When the taxpayer establishes that the failure to produce adequate records is due to the loss of the records through circumstances beyond the taxpayer's control, such as destruction by fire, flood, earthquake, or other casualty, the taxpayer has the right to substantiate a deduction by reasonable reconstruction of his expenditures and use.

Business use of listed property other than a vehicle. Taxpayers who claim a deduction for any listed property other than a vehicle (for example, a yacht, airplane, or certain computers) must provide the information requested on page 2 of Form 4562.

Business use of passenger automobiles and other vehicles. Taxpayers who claim a deduction for any vehicle must answer certain questions on page 2 of Form 4562 to provide information about the use of the vehicles. Any employer who provides the use of a vehicle to an employee must obtain information from the employee sufficient to complete the employer's tax return.

Employers who provide more than 5 vehicles to their employees need not include any information on their returns. The employers, instead, must obtain the information from their employees, indicate on their returns that they have obtained the information, and retain the information received.

The information requested on page 2 of Form 4562 need not be provided by an employer:

1) Who can satisfy the requirements of a written policy statement for vehicles not used for personal purposes,
2) Who can satisfy the requirements of a written policy statement for vehicles not used for personal purposes other than commuting, or
3) Who treats all use of vehicles by employees as personal use.

Employees must indicate on their returns that they have vehicles exempt from the adequate records requirements. See the instructions for Form 4562.

MACRS Example–Filled-in Worksheet and Form 4562

Fields of Flowers, Inc. operates a retail florist shop. It files its corporate tax return based on a calendar year. The corporation began its operation in 1988. The corporation uses all of its assets 100% for business purposes.

Depreciation Worksheet

The worksheet shows the information needed to figure each asset's depreciation and the total depreciation for 1990. The information on the worksheet is supported by the corporation's books and records. There is an account for each asset that shows the date of acquisition, a description of the property, the cost or other basis of the property, the section 179 deduction claimed, the MACRS depreciation method used, the property class and recovery period, and the depreciation deducted each year. For information on business recordkeeping, see Publication 583, *Taxpayers Starting a Business.*

On February 3, 1988, the corporation bought the building used as its place of business. It also bought a desk and chair, refrigeration equipment, work tables, and a cash register. Because all the property was placed in service after 1986, it is depreciated under MACRS. It uses the MACRS percentage tables to figure its depreciation deduction.

The building (line 1) is nonresidential real property. It is depreciated using the straight line method and mid-month convention with a recovery period of 31.5 years. The corporation used Table 7.

The desk and chair, refrigeration equipment, work tables, and cash register (lines 2 through 5) were put in use in 1988. They are all 7–year property. Because no property was placed in service in the last quarter of the tax year, the half-year convention is used for this property. The corporation uses Table 1. It claimed a section 179 deduction for the full cost of the desk and chair. Therefore, it takes no depreciation for this property.

The truck and typewriter (lines 6 and 7) placed in service in 1989 are 5–year property for which the corporation chose to use the 150% declining balance method over the alternate MACRS recovery period. The recovery period for the truck is 5 years. The recovery period for the typewriter is 6 years. The half-year convention is used for both. The corporation uses Table 14. It claimed a $10,000 section 179 deduction for the truck whose basis for depreciation is $13,500. This is the cost of $23,500 reduced by the $10,000 section 179 deduction claimed.

In 1990, Fields of Flowers bought and placed in service a computer, file cabinets, store counters, and a USA 280F van.

The total bases of all property placed in service in 1990 is $22,645. Since the bases of the counters and van ($19,170) placed in service during the last three months of the corporation's tax year exceeds 40% of the total bases of all property placed in service during 1990, the corporation must use the mid-quarter convention for all four items.

The computer (line 8) is 5–year property for which the corporation uses Table 3. The van (line 11) is 5–year property for which it uses Table 5.

The file cabinets and store counters (lines 9 and 10) are 7–year property. The corporation elects to use the alternate MACRS method for this property. The recovery period is 10 years for the cabinets. Because the counters have no alternate

recovery period in the *Table of Class Lives and Recovery Periods*, their recovery period under the alternate MACRS method is 12 years. The corporation uses Table 11 for the file cabinets and Table 12 for the store counters.

Form 4562

Since Fields of Flowers is a corporation, it reports depreciation on Form 4562. The corporation enters the total depreciation deduction ($6,616.04) for the property placed in service before 1990 (lines 1 through 7 of the worksheet) on line 16 in Part III.

The delivery truck has seating only for the driver. Therefore, it is not listed property. If it qualified as listed property, its depreciation would have been reported on page 2 of Form 4562.

The corporation reports the depreciation for the computer (line 8) on line 14(b) in Part II. It uses the regular MACRS method for this property and a mid-quarter convention. It enters "MQ" in column (e) and "200DB" in column (f). It enters the depreciation deduction of $750 in column (g).

The corporation reports the depreciation for the file cabinets (line 9) on line 15(a). They have an alternate MACRS recovery period and class life assigned to them in the *Table of Class Lives and Recovery Periods*, later in this part. The corporation enters "10" in column (d) and "MQ" in column (e). It enters the depreciation deduction of $17.81 in column (g).

The corporation reports the depreciation for the store counters (line 10) on line 15(b). It enters "MQ" in column (e). It enters the depreciation deduction of $19.45 in column (g).

The van (line 11) is listed property. The corporation reports the depreciation for it on page 2 of Form 4562. Fields of Flowers has taxable income of $15,389. It elects to take the full section 179 deduction of $10,000 on the van. The van weighs over 6,000 pounds. Therefore, it is not a passenger automobile for the limits discussed under *Passenger Automobiles* in this part.

The corporation reduces the cost of the van by the amount of the section 179 deduction. It enters "5" in column (f) and "200DB" and "MQ" in column (g). It enters the depreciation deduction of $365 in column (h) and the section 179 deduction of $10,000 in column (i).

The corporation enters the amount from line 25 on line 19 and the amount from line 26 on line 7. It completes Part I to determine its allowable section 179 deduction. It adds the amounts on lines 12, 14(b), 15(a) and (b), 16, and 19 and enters the total of $17,768.30 on line 20. It rounds the total to $17,768 and enters it on the depreciation line of its tax return.

Depreciation

Line	Description of Property	Date Placed in Service	Cost or Other Basis	Business Use Percent	Section 179 Deduction	Basis for Depreciation	Method	Recovery Period or Useful Life	Table
1	BUILDING	2/3/88	65,000	100%	—	65,000	MACRS	31.5	7
2	DESK & CHAIR	2/3/88	600	100%	600	-0-			
3	WORK TABLE	2/3/88	1,200	100%	—	1,200	MACRS	7	1
4	CASH REGISTER	2/3/88	270	100%	—	270	MACRS	7	1
5	REFRIGERATION EQUIP.	2/3/88	4,500	100%		4,500	MACRS	7	1
	TOTAL 1988				600				
6	DELIVERY TRUCK	4/16/89	23,500	100%	10,000		150DB	5	14
7	TYPEWRITER	7/3/89	300	100%	—		150DB	6	14
	TOTAL 1989				10,000				
8	COMPUTER	6/20/90	3,000	100%			MACRS	5	3
9	FILE CABINETS	9/10/90	475	100%			SL	10	11
10	STORE COUNTERS	11/1/90	1,870	100%			SL	12	12
11	VAN	11/15/90	17,300	100%	10,000		MACRS	5	5
	TOTAL 1990				10,000				

Worksheet

19 88		19 89			Depreciation Prior Years	19 90		
Rate or Table %	Depreciation Deduction	Basis for Depreciation	Rate or Table %	Depreciation Deduction		Basis for Depreciation	Rate or Table %	Depreciation Deduction
2.778%	1805.70	65,000	3.175%	2,063.75	3869.45	65,000	3.175%	2,063.75
14.29%	171.48	1,200	24.49%	293.88	465.36	1,200	17.49%	209.88
14.29%	38.58	270	24.49%	66.12	104.70	270	17.49%	47.22
14.29%	643.05	4,500	24.49%	1,120.50	1,763.55	4,500	17.49%	787.05
—	2,658.81							
		13,500	15%	2,025.—	2,025.—	13,500	25.5%	3,442.50
		300	12.5%	37.50	37.50	300	21.8%	65.64
			—	5606.75				
						3,000	25%	750.—
						475	3.75%	17.81
						1,870	1.04%	19.45
						7,300	5%	365.—
							—	7,768.30

Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation and Amortization
(Including Information on Listed Property)

▶ See separate instructions. ▶ Attach this form to your return.

OMB No. 1545-0172

1990

Attachment Sequence No. 67

Name(s) shown on return: Fields of Flowers

Identifying number: 10-1787889

Business or activity to which this form relates: Retail Florist

Part I **Election To Expense Certain Tangible Property (Section 179)** *(Note: If you have any "Listed Property," also complete Part V.)*

1 Maximum dollar limitation (see instructions)	1	$10,000
2 Total cost of section 179 property placed in service during the tax year (see instructions)	2	22,645
3 Threshold cost of section 179 property before reduction in limitation	3	$200,000
4 Reduction in limitation—Subtract line 3 from line 2, but do not enter less than -0-	4	-0-
5 Dollar limitation for tax year—Subtract line 4 from line 1, but do not enter less than -0-	5	10,000

(a) Description of property	(b) Cost	(c) Elected cost
6		
7 Listed property—Enter amount from line 26		10,000

8 Total elected cost of section 179 property—Add amounts in column (c), lines 6 and 7	8	10,000
9 Tentative deduction—Enter the lesser of line 5 or line 8	9	10,000
10 Carryover of disallowed deduction from 1989 (see instructions)	10	-0-
11 Taxable income limitation—Enter the lesser of taxable income or line 5 (see instructions)	11	10,000
12 Section 179 expense deduction—Add lines 9 and 10, but do not enter more than line 11	12	10,000
13 Carryover of disallowed deduction to 1991—Add lines 9 and 10, less line 12 ▶	13	

Note: *Do not use Part II or Part III below for automobiles, certain other vehicles, cellular telephones, computers, or property used for entertainment, recreation, or amusement (listed property). Instead, use Part V for listed property.*

Part II **MACRS Depreciation For Assets Placed in Service ONLY During Your 1990 Tax Year (Do Not Include Listed Property)**

(a) Classification of property	(b) Mo. and yr. placed in service	(c) Basis for depreciation (Business use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
14 General Depreciation System (GDS) (see instructions):						
a 3-year property						
b 5-year property		3,000	5	MQ	200DB	750.00
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g Residential rental property			27.5 yrs.	MM	S/L	
			27.5 yrs.	MM	S/L	
h Nonresidential real property			31.5 yrs.	MM	S/L	
			31.5 yrs.	MM	S/L	
15 Alternative Depreciation System (ADS) (see instructions):						
a Class life		475	10	MQ	S/L	17.81
b 12-year		1,870	12 yrs.	MQ	S/L	19.45
c 40-year			40 yrs.	MM	S/L	

Part III **Other Depreciation (Do Not Include Listed Property)**

16 GDS and ADS deductions for assets placed in service in tax years beginning before 1990 (see instructions)	16	6,616.04
17 Property subject to section 168(f)(1) election (see instructions)	17	
18 ACRS and other depreciation (see instructions)	18	

Part IV **Summary**

19 Listed property—Enter amount from line 25	19	365.00
20 Total—Add deductions on line 12, lines 14 and 15 in column (g), and lines 16 through 19. Enter here and on the appropriate lines of your return. (Partnerships and S corporations—see instructions)	20	17,768.30
21 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs (see instructions)	21	-0-

Part V **Listed Property.—Automobiles, Certain Other Vehicles, Cellular Telephones, Computers, and Property Used for Entertainment, Recreation, or Amusement**

If you are using the standard mileage rate or deducting vehicle lease expense, complete columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A.—Depreciation (**Caution:** *See instructions for limitations for automobiles.*)

22a Do you have evidence to support the business use claimed? ☑ Yes ☐ No | 22b If "Yes," is the evidence written? ☑ Yes ☐ No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business use percentage	(d) Cost or other basis	(e) Basis for depreciation (business use only)	(f) Recovery period	(g) Method/ Convention	(h) Depreciation deduction	(i) Elected section 179 cost
23 *Property used more than 50% in a trade or business:*								
USA 280F	11-15-90	100 %	17,300	7,300	5	200DB HQ	365	10,000
		%						
		%						
24 *Property used 50% or less in a trade or business:*								
		%				S/L-		
		%				S/L-		
		%				S/L-		
25 Add amounts in column (h). Enter the total here and on line 19, page 1							25 365	
26 Add amounts in column (i). Enter the total here and on line 7, page 1								26 10,000

Section B.—Information Regarding Use of Vehicles—*If you deduct expenses for vehicles:*

- *Always complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person.*
- *If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.*

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
27 Total business miles driven during the year (DO NOT include commuting miles)												
28 Total commuting miles driven during the year												
29 Total other personal (noncommuting) miles driven												
30 Total miles driven during the year—Add lines 27 through 29												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
31 Was the vehicle available for personal use during off-duty hours?												
32 Was the vehicle used primarily by a more than 5% owner or related person?												
33 Is another vehicle available for personal use?												

Section C.—Questions for Employers Who Provide Vehicles for Use by Their Employees

(Answer these questions to determine if you meet an exception to completing Section B. **Note:** *Section B must always be completed for vehicles used by sole proprietors, partners, or other more than 5% owners or related persons.)*

	Yes	No
34 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees?	✓	
35 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? (See instructions for vehicles used by corporate officers, directors, or 1% or more owners.)	NA	
36 Do you treat all use of vehicles by employees as personal use?	NA	
37 Do you provide more than five vehicles to your employees and retain the information received from your employees concerning the use of the vehicles?	NA	
38 Do you meet the requirements concerning qualified automobile demonstration use (see instructions)?	NA	

Note: *If your answer to 34, 35, 36, 37, or 38 is "Yes," you need not complete Section B for the covered vehicles.*

Part VI **Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
39 Amortization of costs that begins during your 1990 tax year:					
40 Amortization of costs that began before 1990				40	
41 Total. Enter here and on "Other Deductions" or "Other Expenses" line of your return				41	

MACRS Percentage Tables

The following list explains which table on the following pages you use.

Use **Table 1** for 3–, 5–, 7–, 10–, 15–, and 20–year property if you are using the regular MACRS method and the half-year convention.

Use **Table 2** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the first quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 3** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the second quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 4** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the third quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 5** for 3–, 5–, 7–, 10–, 15–, and 20–year property placed in service in the fourth quarter if you are using the regular MACRS method and the mid-quarter convention.

Use **Table 6** for residential rental property for which you do not elect to use the alternate MACRS method.

Use **Table 7** for nonresidential real property for which you do not elect to use the alternate MACRS method.

Use **Table 8** if you elect to use the straight line method over the recovery period or the alternate MACRS method and the half-year convention applies.

Use **Table 9** for property placed in service in the first quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 10** for property placed in service in the second quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 11** for property placed in service in the third quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 12** for property placed in service in the fourth quarter if you elect to use the straight line method over the recovery period or the alternate MACRS method and the mid-quarter convention applies.

Use **Table 13** for residential rental and nonresidential real property for which you elect to use the alternate MACRS method.

Use **Table 14** if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the half-year convention applies.

Use **Table 15** for property placed in service in the first quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Use **Table 16** for property placed in service in the second quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Use **Table 17** for property placed in service in the third quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Use **Table 18** for property placed in service in the fourth quarter if you elect to use the 150% declining balance method over the alternate MACRS recovery period and the mid-quarter convention applies.

Table 1

3-, 5-, 7-, 10-, 15-, and 20-year property
(Half-year convention)

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	33.33%	20%	14.29%	10%	5%	3.75%
2	44.45%	32%	24.49%	18%	9.5%	7.219%
3	14.81%	19.2%	17.49%	14.4%	8.55%	6.677%
4	7.41%	11.52%	12.49%	11.52%	7.7%	6.177%
5		11.52%	8.93%	9.22%	6.93%	5.713%
6		5.76%	8.92%	7.37%	6.23%	5.285%
7			8.93%	6.55%	5.9%	4.888%
8			4.46%	6.55%	5.9%	4.522%
9				6.56%	5.91%	4.462%
10				6.55%	5.9%	4.461%
11				3.28%	5.91%	4.462%
12					5.9%	4.461%
13					5.91%	4.462%
14					5.9%	4.461%
15					5.91%	4.462%
16					2.95%	4.461%
17						4.462%
18						4.461%
19						4.462%
20						4.461%
21						2.231%

Table 2

3-, 5-, 7-, 10-, 15-, and 20-year property
(Mid-quarter convention)
Property placed in service in first quarter

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	58.33%	35%	25%	17.5%	8.75%	6.563%
2	27.78%	26%	21.43%	16.5%	9.13%	7%
3	12.35%	15.6%	15.31%	13.2%	8.21%	6.482%
4	1.54%	11.01%	10.93%	10.56%	7.39%	5.996%
5		11.01%	8.75%	8.45%	6.65%	5.546%
6		1.38%	8.74%	6.76%	5.99%	5.13%
7			8.75%	6.55%	5.9%	4.746%
8			1.09%	6.55%	5.91%	4.459%
9				6.56%	5.9%	4.459%
10				6.55%	5.91%	4.459%
11				0.82%	5.9%	4.459%
12					5.91%	4.46%
13					5.9%	4.459%
14					5.91%	4.46%
15					5.9%	4.459%
16					0.74%	4.46%
17						4.459%
18						4.46%
19						4.459%
20						4.46%
21						0.557%

Table 3

3-, 5-, 7-, 10-, 15-, and 20-year property
(Mid-quarter convention)
Property placed in service in second quarter

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	41.67%	25%	17.85%	12.5%	6.25%	4.688%
2	38.89%	30%	23.47%	17.5%	9.38%	7.148%
3	14.14%	18%	16.76%	14%	8.44%	6.612%
4	5.3%	11.37%	11.97%	11.2%	7.59%	6.116%
5		11.37%	8.87%	8.96%	6.83%	5.658%
6		4.26%	8.87%	7.17%	6.15%	5.233%
7			8.87%	6.55%	5.91%	4.841%
8			3.33%	6.55%	5.9%	4.478%
9				6.56%	5.91%	4.463%
10				6.55%	5.9%	4.463%
11				2.46%	5.91%	4.463%
12					5.9%	4.463%
13					5.91%	4.463%
14					5.9%	4.463%
15					5.91%	4.462%
16					2.21%	4.463%
17						4.462%
18						4.463%
19						4.462%
20						4.463%
21						1.673%

Table 4

3-, 5-, 7-, 10-, 15-, and 20-year property
(Mid-quarter convention)
Property placed in service in third quarter

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	25%	15%	10.71%	7.5%	3.75%	2.813%
2	50%	34%	25.51%	18.5%	9.63%	7.289%
3	16.67%	20.4%	18.22%	14.8%	8.66%	6.742%
4	8.33%	12.24%	13.02%	11.84%	7.8%	6.237%
5		11.3%	9.3%	9.47%	7.02%	5.769%
6		7.06%	8.85%	7.58%	6.31%	5.336%
7			8.86%	6.55%	5.9%	4.936%
8			5.53%	6.55%	5.9%	4.566%
9				6.56%	5.91%	4.46%
10				6.55%	5.9%	4.46%
11				4.1%	5.91%	4.46%
12					5.9%	4.46%
13					5.91%	4.461%
14					5.9%	4.46%
15					5.91%	4.461%
16					3.69%	4.46%
17						4.461%
18						4.46%
19						4.461%
20						4.46%
21						2.788%

Table 5

3-, 5-, 7-, 10-, 15-, and 20-year property
(Mid-quarter convention)
Property placed in service in fourth quarter

Year	Depreciation rate for recovery period					
	3-year	5-year	7-year	10-year	15-year	20-year
1	8.33%	5%	3.57%	2.5%	1.25%	0.938%
2	61.11%	38%	27.55%	19.5%	9.88%	7.43%
3	20.37%	22.8%	19.68%	15.6%	8.89%	6.872%
4	10.19%	13.68%	14.06%	12.48%	8%	6.357%
5		10.94%	10.04%	9.98%	7.2%	5.88%
6		9.58%	8.73%	7.99%	6.48%	5.439%
7			8.73%	6.55%	5.9%	5.031%
8			7.64%	6.55%	5.9%	4.654%
9				6.56%	5.9%	4.458%
10				6.55%	5.91%	4.458%
11				5.74%	5.9%	4.458%
12					5.91%	4.458%
13					5.9%	4.458%
14					5.91%	4.458%
15					5.9%	4.458%
16					5.17%	4.458%
17						4.458%
18						4.459%
19						4.458%
20						4.459%
21						3.901%

Table 6

Residential rental property
Straight line over 27.5 years
Mid-month convention

Year	Month property placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.485%	3.182%	2.879%	2.576%	2.273%	1.97%	1.667%	1.364%	1.061%	0.758%	0.455%	0.152%
2-9	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
10	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
11	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
12	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
13	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
14	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
15	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
16	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
17	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
18	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
19	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
20	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
21	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
22	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
23	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
24	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
25	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
26	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
27	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
28	1.97%	2.273%	2.576%	2.879%	3.182%	3.485%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
29							0.152%	0.455%	0.758%	1.061%	1.364%	1.667%

Table 7

Nonresidential real property
Straight line over 31.5 years
Mid-month convention

Year	Month property placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	3.042%	2.778%	2.513%	2.249%	1.984%	1.72%	1.455%	1.19%	0.926%	0.661%	0.397%	0.132%
2-7	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%
8	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.175%	3.175%	3.175%	3.175%	3.175%
9	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
10	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
11	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
12	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
13	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
14	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
15	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
16	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
17	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
18	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
19	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
20	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
21	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
22	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
23	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
24	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
25	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
26	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
27	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
28	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
29	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
30	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
31	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
32	1.72%	1.984%	2.249%	2.513%	2.778%	3.042%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
33							0.132%	0.397%	0.661%	0.926%	1.19%	1.455%

Table 8

Straight line method
Recovery periods from Table of Class Lives and Recovery Periods
(Half-year convention)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	20%	16.67%	14.29%	12.5%	10%	8.33%	7.69%	7.14%
2	40%	33.33%	28.57%	25%	20%	16.67%	15.39%	14.29%
3	40%	33.33%	28.57%	25%	20%	16.67%	15.38%	14.29%
4		16.67%	28.57%	25%	20%	16.67%	15.39%	14.28%
5				12.5%	20%	16.66%	15.38%	14.29%
6					10%	16.67%	15.39%	14.28%
7						8.33%	15.38%	14.29%
8								7.14%

Table 8 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	6.67%	6.25%	5.88%	5.56%	5.26%	5%	4.76%	4.55%
2	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.52%	9.09%
3	13.33%	12.5%	11.76%	11.11%	10.53%	10%	9.52%	9.09%
4	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
5	13.34%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
6	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
7	13.34%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
8	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
9		6.25%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
10				5.56%	10.53%	10%	9.53%	9.09%
11						5%	9.52%	9.09%
12								4.55%

Table 8 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	4.35%	4.17%	4%	3.85%	3.7%	3.57%	3.33%	3.13%
2	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
3	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
4	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
5	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
6	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
7	8.7%	8.34%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
8	8.69%	8.33%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
9	8.7%	8.34%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
10	8.69%	8.33%	8%	7.70%	7.40%	7.15%	6.66%	6.25%
11	8.7%	8.34%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
12	8.69%	8.33%	8%	7.70%	7.40%	7.15%	6.66%	6.25%
13		4.17%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
14				3.85%	7.40%	7.15%	6.66%	6.25%
15						3.57%	6.67%	6.25%
16							3.33%	6.25%
17								3.12%

Table 8 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	3.03%	2.94%	2.78%	2.63%	2.5%	2.273%	2.083%	2%
2	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
3	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
4	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
5	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
6	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
7	6.06%	5.89%	5.56%	5.26%	5%	4.546%	4.167%	4%
8	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
9	6.06%	5.88%	5.56%	5.27%	5%	4.546%	4.167%	4%
10	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
11	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
12	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
13	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
14	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
15	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
16	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
17	6.07%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
18		2.94%	5.55%	5.26%	5%	4.545%	4.167%	4%
19			2.78%	5.27%	5%	4.546%	4.166%	4%
20				2.63%	5%	4.545%	4.167%	4%
21					2.5%	4.546%	4.166%	4%
22						4.545%	4.167%	4%
23						2.273%	4.166%	4%
24							4.167%	4%
25							2.083%	4%
26								4%

Table 8 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	1.887%	1.786%	1.667%	1.429%	1.25%	1.111%	1%
2-6	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
7	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
8	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
9	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
10	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
11	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
12	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
13	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
14	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
15	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
16	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
17	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
18	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
19	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
20	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
21	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
22	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
23	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
24	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
25	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
26	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
27	3.774%	3.572%	3.334%	2.857%	2.5%	2.223%	2%
28		3.571%	3.333%	2.858%	2.5%	2.222%	2%
29		1.786%	3.334%	2.857%	2.5%	2.223%	2%
30			3.333%	2.858%	2.5%	2.222%	2%
31			1.667%	2.857%	2.5%	2.223%	2%
32				2.858%	2.5%	2.222%	2%
33				2.857%	2.5%	2.223%	2%
34				2.858%	2.5%	2.222%	2%
35				2.857%	2.5%	2.223%	2%
36				1.429%	2.5%	2.222%	2%
37					2.5%	2.223%	2%
38					2.5%	2.222%	2%
39					2.5%	2.223%	2%
40					2.5%	2.222%	2%
41					1.25%	2.223%	2%
42						2.222%	2%
43						2.223%	2%
44						2.222%	2%
45						2.223%	2%
46						1.111%	2%
47-50							2%
51							1%

Table 9

Straight line method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(property placed in service in first quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	35%	29.17%	25%	21.88%	17.5%	14.58%	13.46%	12.5%
2	40%	33.33%	28.57%	25%	20%	16.67%	15.38%	14.29%
3	25%	33.33%	28.57%	25%	20%	16.67%	15.39%	14.28%
4		4.17%	17.86%	25%	20%	16.67%	15.38%	14.29%
5				3.12%	20%	16.66%	15.39%	14.28%
6					2.5%	16.67%	15.38%	14.29%
7						2.08%	9.62%	14.28%
8								1.79%

Table 9 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	11.67%	10.94%	10.29%	9.72%	9.21%	8.75%	8.33%	7.95%
2	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.52%	9.09%
3	13.33%	12.5%	11.76%	11.11%	10.53%	10%	9.52%	9.09%
4	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
5	13.34%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
6	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
7	13.34%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
8	8.33%	12.5%	11.77%	11.12%	10.53%	10%	9.53%	9.09%
9		1.56%	7.35%	11.11%	10.52%	10%	9.52%	9.09%
10				1.39%	6.58%	10%	9.53%	9.1%
11						1.25%	5.95%	9.09%
12								1.14%

Table 9 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	7.61%	7.29%	7%	6.73%	6.48%	6.25%	5.83%	5.47%
2	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
3	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
4	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
5	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
6	8.69%	8.34%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
7	8.7%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
8	8.69%	8.34%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
9	8.7%	8.33%	8%	7.70%	7.40%	7.14%	6.67%	6.25%
10	8.69%	8.34%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
11	8.7%	8.33%	8%	7.70%	7.40%	7.14%	6.67%	6.25%
12	5.43%	8.34%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
13		1.04%	5%	7.70%	7.40%	7.14%	6.67%	6.25%
14				0.96%	4.63%	7.15%	6.66%	6.25%
15						0.89%	6.67%	6.25%
16							0.83%	6.25%
17								0.78%

Table 9 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	5.3%	5.15%	4.86%	4.61%	4.375%	3.977%	3.646%	3.5%
2	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
3	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
4	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
5	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
6	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
7	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
8	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
9	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
10	6.06%	5.88%	5.56%	5.27%	5%	4.546%	4.166%	4%
11	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
12	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
13	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
14	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
15	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
16	6.07%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
17	3.79%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
18		0.74%	5.56%	5.27%	5%	4.546%	4.166%	4%
19			0.69%	5.26%	5%	4.545%	4.167%	4%
20				0.66%	5%	4.546%	4.166%	4%
21					0.625%	4.545%	4.167%	4%
22						4.546%	4.166%	4%
23						0.568%	4.167%	4%
24							4.166%	4%
25							0.521%	4%
26								5%

Table 9 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	3.302%	3.125%	2.917%	2.5%	2.188%	1.944%	1.75%
2-5	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
6	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
7	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
8	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
9	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
10	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
11	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
12	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
13	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
14	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
15	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
16	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
17	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
18	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
19	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
20	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
21	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
22	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
23	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
24	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
25	3.773%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
26	3.774%	3.572%	3.333%	2.857%	2.5%	2.223%	2%
27	2.358%	3.571%	3.334%	2.858%	2.5%	2.222%	2%
28		3.572%	3.333%	2.857%	2.5%	2.223%	2%
29		0.446%	3.334%	2.858%	2.5%	2.222%	2%
30			3.333%	2.857%	2.5%	2.223%	2%
31			0.417%	2.858%	2.5%	2.222%	2%
32				2.857%	2.5%	2.223%	2%
33				2.858%	2.5%	2.222%	2%
34				2.857%	2.5%	2.223%	2%
35				2.858%	2.5%	2.222%	2%
36				0.357%	2.5%	2.223%	2%
37					2.5%	2.222%	2%
38					2.5%	2.223%	2%
39					2.5%	2.222%	2%
40					2.5%	2.223%	2%
41					0.312%	2.222%	2%
42						2.223%	2%
43						2.222%	2%
44						2.223%	2%
45						2.222%	2%
46						0.278%	2%
47-50							2%
51							0.25%

Table 10

Straight line method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(property placed in service in second quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	25%	20.83%	17.86%	15.63%	12.5%	10.42%	9.62%	8.93%
2	40%	33.33%	28.57%	25%	20%	16.67%	15.38%	14.29%
3	35%	33.34%	28.57%	25%	20%	16.67%	15.38%	14.28%
4		12.5%	25%	25%	20%	16.66%	15.39%	14.29%
5				9.37%	20%	16.67%	15.38%	14.28%
6					7.5%	16.66%	15.39%	14.29%
7						6.25%	13.46%	14.28%
8								5.36%

Table 10 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	8.33%	7.81%	7.35%	6.94%	6.58%	6.25%	5.95%	5.68%
2	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.52%	9.09%
3	13.33%	12.5%	11.76%	11.11%	10.53%	10%	9.52%	9.09%
4	13.34%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
5	13.33%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
6	13.34%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
7	13.33%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
8	11.67%	12.5%	11.77%	11.12%	10.53%	10%	9.53%	9.09%
9		4.69%	10.29%	11.11%	10.52%	10%	9.52%	9.09%
10				4.17%	9.21%	10%	9.53%	9.09%
11						3.75%	8.33%	9.10%
12								3.41%

Table 10 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	5.43%	5.21%	5%	4.81%	4.63%	4.46%	4.17%	3.91%
2	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
3	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
4	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
5	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
6	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
7	8.69%	8.34%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
8	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
9	8.69%	8.34%	8%	7.69%	7.40%	7.15%	6.66%	6.25%
10	8.70%	8.33%	8%	7.70%	7.41%	7.14%	6.67%	6.25%
11	8.69%	8.34%	8%	7.69%	7.40%	7.15%	6.66%	6.25%
12	7.61%	8.33%	8%	7.70%	7.41%	7.14%	6.67%	6.25%
13		3.13%	7%	7.69%	7.40%	7.15%	6.66%	6.25%
14				2.89%	6.48%	7.14%	6.67%	6.25%
15						2.68%	6.66%	6.25%
16							2.50%	6.25%
17								2.34%

Table 10 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	3.79%	3.68%	3.47%	3.29%	3.125%	2.841%	2.604%	2.5%
2	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
3	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
4	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
5	6.06%	5.88%	5.55%	5.26%	5%	4.546%	4.167%	4%
6	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
7	6.06%	5.88%	5.55%	5.26%	5%	4.546%	4.167%	4%
8	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
9	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.167%	4%
10	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
11	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
12	6.06%	5.89%	5.56%	5.26%	5%	4.545%	4.167%	4%
13	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
14	6.06%	5.89%	5.56%	5.26%	5%	4.545%	4.167%	4%
15	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
16	6.06%	5.89%	5.56%	5.26%	5%	4.545%	4.167%	4%
17	5.31%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
18		2.21%	5.56%	5.26%	5%	4.545%	4.167%	4%
19			2.08%	5.27%	5%	4.546%	4.166%	4%
20				1.97%	5%	4.545%	4.167%	4%
21					1.875%	4.546%	4.166%	4%
22						4.545%	4.167%	4%
23						1.705%	4.166%	4%
24							4.167%	4%
25							1.562%	4%
26								1.5%

Table 10 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	2.358%	2.232%	2.083%	1.786%	1.563%	1.389%	1.25%
2-5	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
6	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
7	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
8	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
9	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
10	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
11	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
12	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
13	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
14	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
15	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
16	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
17	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
18	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
19	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
20	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
21	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
22	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
23	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
24	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
25	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
26	3.773%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
27	3.302%	3.571%	3.333%	2.857%	2.5%	2.223%	2%
28		3.572%	3.334%	2.858%	2.5%	2.222%	2%
29		1.339%	3.333%	2.857%	2.5%	2.223%	2%
30			3.334%	2.858%	2.5%	2.222%	2%
31			1.25%	2.857%	2.5%	2.223%	2%
32				2.858%	2.5%	2.222%	2%
33				2.857%	2.5%	2.223%	2%
34				2.858%	2.5%	2.222%	2%
35				2.857%	2.5%	2.223%	2%
36				1.072%	2.5%	2.222%	2%
37					2.5%	2.223%	2%
38					2.5%	2.222%	2%
39					2.5%	2.223%	2%
40					2.5%	2.222%	2%
41					0.937%	2.223%	2%
42						2.222%	2%
43						2.223%	2%
44						2.222%	2%
45						2.223%	2%
46						0.833%	2%
47-50							2%
51							0.75%

Table 11

Straight line method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(property placed in service in third quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	15%	12.5%	10.71%	9.38%	7.5%	6.25%	5.77%	5.36%
2	40%	33.33%	28.57%	25%	20%	16.67%	15.38%	14.29%
3	40%	33.34%	28.57%	25%	20%	16.67%	15.39%	14.28%
4	5%	20.83%	28.58%	25%	20%	16.66%	15.38%	14.29%
5			3.57%	15.62%	20%	16.67%	15.39%	14.28%
6					12.5%	16.66%	15.38%	14.29%
7						10.42%	15.39%	14.28%
8							1.92%	8.93%

Table 11 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	5%	4.69%	4.41%	4.17%	3.95%	3.75%	3.57%	3.41%
2	13.33%	12.5%	11.76%	11.11%	10.53%	10%	9.52%	9.09%
3	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.52%	9.09%
4	13.33%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
5	13.34%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
6	13.33%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
7	13.34%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
8	13.33%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
9	1.67%	7.81%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
10			1.47%	6.95%	10.52%	10%	9.52%	9.09%
11					1.32%	6.25%	9.53%	9.10%
12							1.19%	5.68%

Table 11 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	3.26%	3.13%	3%	2.88%	2.78%	2.68%	2.5%	2.34%
2	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
3	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
4	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
5	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
6	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
7	8.70%	8.34%	8%	7.69%	7.41%	7.14%	6.66%	6.25%
8	8.69%	8.33%	8%	7.70%	7.40%	7.14%	6.67%	6.25%
9	8.70%	8.34%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
10	8.69%	8.33%	8%	7.70%	7.40%	7.14%	6.67%	6.25%
11	8.70%	8.34%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
12	8.69%	8.33%	8%	7.70%	7.40%	7.14%	6.67%	6.25%
13	1.09%	5.21%	8%	7.69%	7.41%	7.15%	6.66%	6.25%
14			1%	4.81%	7.40%	7.14%	6.67%	6.25%
15					0.93%	4.47%	6.66%	6.25%
16							4.17%	6.25%
17								3.91%

Table 11 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	2.27%	2.21%	2.08%	1.97%	1.875%	1.705%	1.563%	1.5%
2	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
3	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
4	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
5	6.06%	5.88%	5.55%	5.26%	5%	4.546%	4.167%	4%
6	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
7	6.06%	5.88%	5.55%	5.26%	5%	4.546%	4.167%	4%
8	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
9	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
10	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
11	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
12	6.06%	5.89%	5.56%	5.26%	5%	4.545%	4.167%	4%
13	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
14	6.06%	5.89%	5.56%	5.26%	5%	4.545%	4.167%	4%
15	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
16	6.07%	5.89%	5.56%	5.26%	5%	4.545%	4.167%	4%
17	6.06%	5.88%	5.55%	5.27%	5%	4.546%	4.166%	4%
18	0.76%	3.68%	5.56%	5.26%	5%	4.545%	4.167%	4%
19			3.47%	5.27%	5%	4.546%	4.166%	4%
20				3.29%	5%	4.545%	4.167%	4%
21					3.125%	4.546%	4.166%	4%
22						4.545%	4.167%	4%
23						2.841%	4.166%	4%
24							4.167%	4%
25							2.604%	4%
26								2.5%

Table 11 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	1.415%	1.339%	1.25%	1.071%	0.938%	0.833%	0.75%
2-5	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
6	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
7	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
8	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
9	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
10	3.774%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
11	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
12	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
13	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
14	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
15	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
16	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
17	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
18	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
19	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
20	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
21	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
22	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
23	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
24	3.774%	3.572%	3.334%	2.857%	2.5%	2.222%	2%
25	3.773%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
26	3.774%	3.572%	3.334%	2.858%	2.5%	2.222%	2%
27	3.773%	3.571%	3.333%	2.857%	2.5%	2.223%	2%
28	0.472%	3.572%	3.334%	2.858%	2.5%	2.222%	2%
29		2.232%	3.333%	2.857%	2.5%	2.223%	2%
30			3.334%	2.858%	2.5%	2.222%	2%
31			2.083%	2.857%	2.5%	2.223%	2%
32				2.858%	2.5%	2.222%	2%
33				2.857%	2.5%	2.223%	2%
34				2.858%	2.5%	2.222%	2%
35				2.857%	2.5%	2.223%	2%
36				1.786%	2.5%	2.222%	2%
37					2.5%	2.223%	2%
38					2.5%	2.222%	2%
39					2.5%	2.223%	2%
40					2.5%	2.222%	2%
41					1.562%	2.223%	2%
42						2.222%	2%
43						2.223%	2%
44						2.222%	2%
45						2.223%	2%
46						1.389%	2%
47-50							2%
51							1.25%

Table 12

Straight line method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(property placed in service in fourth quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	5%	4.17%	3.57%	3.13%	2.5%	2.08%	1.92%	1.79%
2	40%	33.33%	28.57%	25%	20%	16.67%	15.39%	14.29%
3	40%	33.33%	28.57%	25%	20%	16.67%	15.38%	14.28%
4	15%	29.17%	28.57%	25%	20%	16.67%	15.39%	14.29%
5			10.72%	21.87%	20%	16.66%	15.38%	14.28%
6					17.5%	16.67%	15.39%	14.29%
7						14.58%	15.38%	14.28%
8							5.77%	12.5%

Table 12 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	1.67%	1.56%	1.47%	1.39%	1.32%	1.25%	1.19%	1.14%
2	13.33%	12.5%	11.76%	11.11%	10.53%	10%	9.52%	9.09%
3	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.52%	9.09%
4	13.33%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
5	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
6	13.34%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
7	13.33%	12.5%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
8	13.34%	12.5%	11.76%	11.11%	10.52%	10%	9.52%	9.09%
9	5%	10.94%	11.77%	11.11%	10.53%	10%	9.53%	9.09%
10			4.41%	9.73%	10.52%	10%	9.52%	9.09%
11						8.75%	9.53%	9.09%
12							3.57%	7.96%

Table 12 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	1.09%	1.04%	1%	0.96%	0.93%	0.89%	0.83%	0.78%
2	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
3	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
4	8.70%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
5	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
6	8.70%	8.34%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
7	8.69%	8.33%	8%	7.69%	7.41%	7.14%	6.67%	6.25%
8	8.70%	8.34%	8%	7.69%	7.40%	7.15%	6.66%	6.25%
9	8.69%	8.33%	8%	7.70%	7.41%	7.14%	6.67%	6.25%
10	8.70%	8.34%	8%	7.69%	7.40%	7.15%	6.66%	6.25%
11	8.69%	8.33%	8%	7.70%	7.41%	7.14%	6.67%	6.25%
12	8.70%	8.34%	8%	7.69%	7.40%	7.15%	6.66%	6.25%
13	3.26%	7.29%	8%	7.70%	7.41%	7.14%	6.67%	6.25%
14			3%	6.73%	7.40%	7.15%	6.66%	6.25%
15					2.78%	6.25%	6.67%	6.25%
16							5.83%	6.25%
17								5.47%

Table 12 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	0.76%	0.74%	0.69%	0.66%	0.625%	0.568%	0.521%	0.5%
2	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
3	6.06%	5.88%	5.56%	5.26%	5%	4.545%	4.167%	4%
4	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
5	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
6	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
7	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
8	6.06%	5.88%	5.56%	5.26%	5%	4.546%	4.167%	4%
9	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
10	6.06%	5.88%	5.56%	5.27%	5%	4.546%	4.166%	4%
11	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
12	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
13	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
14	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
15	6.06%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
16	6.06%	5.89%	5.56%	5.27%	5%	4.546%	4.166%	4%
17	6.07%	5.88%	5.55%	5.26%	5%	4.545%	4.167%	4%
18	2.27%	5.15%	5.56%	5.27%	5%	4.546%	4.166%	4%
19			4.86%	5.26%	5%	4.545%	4.167%	4%
20				4.61%	5%	4.546%	4.166%	4%
21					4.375%	4.545%	4.167%	4%
22						4.546%	4.166%	4%
23						3.977%	4.167%	4%
24							4.166%	4%
25							3.646%	4%
26								3.5%

Table 12 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	0.472%	0.446%	0.417%	0.357%	0.313%	0.278%	0.25%
2-5	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
6	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
7	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
8	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
9	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
10	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
11	3.774%	3.571%	3.333%	2.857%	2.5%	2.222%	2%
12	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
13	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
14	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
15	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
16	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
17	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
18	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
19	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
20	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
21	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
22	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
23	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
24	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
25	3.774%	3.571%	3.334%	2.857%	2.5%	2.222%	2%
26	3.773%	3.572%	3.333%	2.857%	2.5%	2.222%	2%
27	3.774%	3.571%	3.334%	2.858%	2.5%	2.222%	2%
28	1.415%	3.572%	3.333%	2.857%	2.5%	2.223%	2%
29		3.125%	3.334%	2.858%	2.5%	2.222%	2%
30			3.333%	2.857%	2.5%	2.223%	2%
31			2.917%	2.858%	2.5%	2.222%	2%
32				2.857%	2.5%	2.223%	2%
33				2.858%	2.5%	2.222%	2%
34				2.857%	2.5%	2.223%	2%
35				2.858%	2.5%	2.222%	2%
36				2.5%	2.5%	2.223%	2%
37					2.5%	2.222%	2%
38					2.5%	2.223%	2%
39					2.5%	2.222%	2%
40					2.5%	2.223%	2%
41					2.187%	2.222%	2%
42						2.223%	2%
43						2.222%	2%
44						2.223%	2%
45						2.222%	2%
46						1.945%	2%
47-50							2%
51							1.75%

Table 13

Straight line over 40 years
Mid-month convention

Year	Month property placed in service											
	1	2	3	4	5	6	7	8	9	10	11	12
1	2.396%	2.188%	1.979%	1.771%	1.563%	1.354%	1.146%	0.938%	0.729%	0.521%	0.313%	0.104%
2-40	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
41	0.104%	0.312%	0.521%	0.729%	0.937%	1.146%	1.354%	1.562%	1.771%	1.979%	2.187%	2.396%

Table 14

150% declining balance method
Recovery periods from Table of Class Lives and Recovery Periods
Half-year convention

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	30%	25%	21.43%	18.75%	15%	12.5%	11.54%	10.71%
2	42%	37.5%	33.67%	30.47%	25.5%	21.88%	20.41%	19.13%
3	28%	25%	22.45%	20.31%	17.85%	16.41%	15.7%	15.03%
4		12.5%	22.45%	20.31%	16.66%	14.06%	13.09%	12.25%
5				10.16%	16.66%	14.06%	13.09%	12.25%
6					8.33%	14.06%	13.09%	12.25%
7						7.03%	13.08%	12.25%
8								6.13%

Table 14 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	10%	9.38%	8.82%	8.33%	7.89%	7.5%	7.14%	6.82%
2	18%	16.99%	16.09%	15.28%	14.54%	13.88%	13.27%	12.71%
3	14.40%	13.81%	13.25%	12.73%	12.25%	11.79%	11.37%	10.97%
4	11.52%	11.22%	10.91%	10.61%	10.31%	10.02%	9.75%	9.48%
5	11.52%	10.8%	10.19%	9.65%	9.17%	8.74%	8.35%	8.18%
6	11.52%	10.8%	10.19%	9.64%	9.17%	8.74%	8.35%	7.98%
7	11.52%	10.8%	10.18%	9.65%	9.17%	8.74%	8.35%	7.97%
8	11.52%	10.8%	10.19%	9.64%	9.17%	8.74%	8.35%	7.98%
9		5.40%	10.18%	9.65%	9.17%	8.74%	8.36%	7.97%
10				4.82%	9.16%	8.74%	8.35%	7.98%
11						4.37%	8.36%	7.97%
12								3.99%

Table 14 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	6.52%	6.25%	6%	5.77%	5.56%	5.36%	5%	4.69%
2	12.19%	11.72%	11.28%	10.87%	10.49%	10.14%	9.5%	8.94%
3	10.6%	10.25%	9.93%	9.62%	9.33%	9.05%	8.55%	8.10%
4	9.22%	8.97%	8.73%	8.51%	8.29%	8.08%	7.7%	7.34%
5	8.02%	7.85%	7.69%	7.53%	7.37%	7.22%	6.93%	6.65%
6	7.64%	7.33%	7.05%	6.79%	6.55%	6.44%	6.23%	6.03%
7	7.64%	7.33%	7.05%	6.79%	6.55%	6.32%	5.9%	5.55%
8	7.63%	7.33%	7.05%	6.79%	6.55%	6.32%	5.9%	5.55%
9	7.64%	7.33%	7.04%	6.79%	6.55%	6.32%	5.91%	5.55%
10	7.63%	7.33%	7.05%	6.79%	6.55%	6.32%	5.9%	5.55%
11	7.64%	7.32%	7.04%	6.79%	6.55%	6.32%	5.91%	5.55%
12	7.63%	7.33%	7.05%	6.78%	6.55%	6.32%	5.9%	5.55%
13		3.66%	7.04%	6.79%	6.56%	6.32%	5.91%	5.54%
14				3.39%	6.55%	6.31%	5.9%	5.55%
15						3.16%	5.91%	5.54%
16							2.95%	5.55%
17								2.77%

Table 14 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	4.55%	4.41%	4.17%	3.95%	3.75%	3.409%	3.125%	3%
2	8.68%	8.43%	7.99%	7.58%	7.219%	6.586%	6.055%	5.82%
3	7.89%	7.69%	7.32%	6.98%	6.677%	6.137%	5.676%	5.471%
4	7.17%	7.01%	6.71%	6.43%	6.177%	5.718%	5.322%	5.143%
5	6.52%	6.39%	6.15%	5.93%	5.713%	5.328%	4.989%	4.834%
6	5.93%	5.83%	5.64%	5.46%	5.285%	4.965%	4.677%	4.544%
7	5.39%	5.32%	5.17%	5.03%	4.888%	4.627%	4.385%	4.271%
8	5.39%	5.23%	4.94%	4.69%	4.522%	4.311%	4.111%	4.015%
9	5.39%	5.23%	4.94%	4.69%	4.462%	4.063%	3.854%	3.774%
10	5.39%	5.23%	4.94%	4.69%	4.461%	4.063%	3.729%	3.584%
11	5.39%	5.23%	4.94%	4.69%	4.462%	4.063%	3.729%	3.583%
12	5.39%	5.23%	4.95%	4.69%	4.461%	4.063%	3.729%	3.584%
13	5.38%	5.23%	4.94%	4.69%	4.462%	4.064%	3.73%	3.583%
14	5.39%	5.23%	4.95%	4.69%	4.461%	4.063%	3.729%	3.584%
15	5.38%	5.23%	4.94%	4.69%	4.462%	4.064%	3.73%	3.583%
16	5.39%	5.23%	4.95%	4.69%	4.461%	4.063%	3.729%	3.584%
17	5.38%	5.23%	4.94%	4.69%	4.462%	4.064%	3.73%	3.583%
18		2.62%	4.95%	4.7%	4.461%	4.063%	3.729%	3.584%
19			2.47%	4.69%	4.462%	4.064%	3.73%	3.583%
20				2.35%	4.461%	4.063%	3.729%	3.584%
21					2.231%	4.064%	3.73%	3.583%
22						4.063%	3.729%	3.584%
23						2.032%	3.73%	3.583%
24							3.729%	3.584%
25							1.865%	3.583%
26								1.792%

Table 14 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	2.830%	2.679%	2.5%	2.143%	1.875%	1.667%	1.5%
2	5.5%	5.214%	4.875%	4.194%	3.68%	3.278%	2.955%
3	5.189%	4.934%	4.631%	4.014%	3.542%	3.169%	2.866%
4	4.895%	4.67%	4.4%	3.842%	3.409%	3.063%	2.78%
5	4.618%	4.42%	4.18%	3.677%	3.281%	2.961%	2.697%
6	4.357%	4.183%	3.971%	3.52%	3.158%	2.862%	2.616%
7	4.11%	3.959%	3.772%	3.369%	3.04%	2.767%	2.538%
8	3.877%	3.747%	3.584%	3.225%	2.926%	2.674%	2.461%
9	3.658%	3.546%	3.404%	3.086%	2.816%	2.585%	2.388%
10	3.451%	3.356%	3.234%	2.954%	2.71%	2.499%	2.316%
11	3.383%	3.205%	3.072%	2.828%	2.609%	2.416%	2.246%
12	3.383%	3.205%	2.994%	2.706%	2.511%	2.335%	2.179%
13	3.383%	3.205%	2.994%	2.59%	2.417%	2.257%	2.114%
14	3.383%	3.205%	2.994%	2.571%	2.326%	2.182%	2.050%
15	3.383%	3.205%	2.994%	2.571%	2.253%	2.11%	1.989%
16	3.383%	3.205%	2.994%	2.571%	2.253%	2.039%	1.929%
17	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.871%
18	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.815%
19	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
20	3.384%	3.205%	2.993%	2.571%	2.253%	2.005%	1.806%
21	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
22	3.384%	3.205%	2.993%	2.571%	2.253%	2.005%	1.806%
23	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
24	3.384%	3.205%	2.993%	2.571%	2.253%	2.004%	1.806%
25	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
26	3.394%	3.205%	2.993%	2.571%	2.253%	2.004%	1.806%
27	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
28		3.205%	2.993%	2.572%	2.253%	2.004%	1.806%
29		1.602%	2.994%	2.571%	2.253%	2.005%	1.806%
30			2.993%	2.572%	2.253%	2.004%	1.806%
31			1.497%	2.571%	2.253%	2.005%	1.806%
32				2.572%	2.253%	2.004%	1.806%
33				2.571%	2.252%	2.005%	1.806%
34				2.572%	2.253%	2.004%	1.806%
35				2.571%	2.252%	2.005%	1.806%
36				1.286%	2.253%	2.004%	1.806%
37					2.252%	2.005%	1.806%
38					2.253%	2.004%	1.806%
39					2.252%	2.005%	1.806%
40					2.253%	2.004%	1.806%
41					1.126%	2.005%	1.806%
42						2.004%	1.805%
43						2.005%	1.806%
44						2.004%	1.805%
45						2.005%	1.806%
46						1.002%	1.805%
47							1.806%
48							1.805%
49							1.806%
50							1.805%
51							0.903%

Table 15

150% declining balance method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(Property placed in service in first quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	52.5%	43.75%	37.5%	32.81%	26.25%	21.88%	20.19%	18.75%
2	29.23%	28.13%	26.79%	25.2%	22.13%	19.53%	18.42%	17.41%
3	18.27%	25%	21.98%	19.76%	16.52%	14.65%	14.17%	13.68%
4		3.12%	13.73%	19.76%	16.52%	14.06%	13.03%	12.16%
5				2.47%	16.52%	14.06%	13.02%	12.16%
6					2.06%	14.06%	13.03%	12.16%
7						1.76%	8.14%	12.16%
8								1.52%

Table 15 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	17.5%	16.41%	15.44%	14.58%	13.82%	13.13%	12.5%	11.93%
2	16.5%	15.67%	14.92%	14.24%	13.61%	13.03%	12.5%	12.01%
3	13.2%	12.74%	12.29%	11.86%	11.46%	11.08%	10.71%	10.37%
4	11.42%	10.77%	10.2%	9.89%	9.65%	9.41%	9.18%	8.96%
5	11.42%	10.77%	10.19%	9.64%	9.15%	8.71%	8.32%	7.96%
6	11.41%	10.76%	10.2%	9.65%	9.15%	8.71%	8.32%	7.96%
7	11.42%	10.77%	10.19%	9.64%	9.15%	8.71%	8.32%	7.96%
8	7.13%	10.76%	10.2%	9.65%	9.15%	8.71%	8.32%	7.96%
9		1.35%	6.37%	9.64%	9.14%	8.71%	8.32%	7.96%
10				1.21%	5.72%	8.71%	8.31%	7.97%
11						1.09%	5.2%	7.96%
12								1%

Table 15 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	11.41%	10.94%	10.5%	10.1%	9.72%	9.38%	8.75%	8.2%
2	11.56%	11.13%	10.74%	10.37%	10.03%	9.71%	9.13%	8.61%
3	10.05%	9.74%	9.45%	9.18%	8.92%	8.67%	8.21%	7.8%
4	8.74%	8.52%	8.32%	8.12%	7.93%	7.74%	7.39%	7.07%
5	7.64%	7.46%	7.32%	7.18%	7.04%	6.91%	6.65%	6.41%
6	7.64%	7.33%	7.04%	6.78%	6.53%	6.31%	5.99%	5.8%
7	7.64%	7.33%	7.04%	6.77%	6.54%	6.31%	5.9%	5.54%
8	7.64%	7.33%	7.04%	6.78%	6.53%	6.31%	5.91%	5.54%
9	7.64%	7.33%	7.04%	6.77%	6.54%	6.31%	5.9%	5.54%
10	7.63%	7.32%	7.04%	6.78%	6.53%	6.31%	5.91%	5.54%
11	7.64%	7.33%	7.04%	6.77%	6.54%	6.31%	5.9%	5.54%
12	4.77%	7.32%	7.03%	6.78%	6.53%	6.31%	5.91%	5.54%
13		0.92%	4.4%	6.77%	6.54%	6.32%	5.9%	5.54%
14				0.85%	4.08%	6.31%	5.91%	5.55%
15						0.79%	5.9%	5.54%
16							0.74%	5.55%
17								0.69%

Table 15 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	7.95%	7.72%	7.29%	6.91%	6.563%	5.966%	5.469%	5.25%
2	8.37%	8.14%	7.73%	7.35%	7.008%	6.411%	5.908%	5.685%
3	7.61%	7.42%	7.08%	6.77%	6.482%	5.974%	5.539%	5.344%
4	6.92%	6.77%	6.49%	6.23%	5.996%	5.567	5.193%	5.023%
5	6.29%	6.17%	5.95%	5.74%	5.546%	5.187%	4.868%	4.722%
6	5.71%	5.63%	5.45%	5.29%	5.130%	4.834%	4.564%	4.439%
7	5.38%	5.23%	5%	4.87%	4.746%	4.504%	4.279%	4.172%
8	5.38%	5.23%	4.94%	4.69%	4.459%	4.197%	4.011%	3.922%
9	5.38%	5.23%	4.95%	4.69%	4.459%	4.061%	3.761%	3.687%
10	5.38%	5.23%	4.94%	4.69%	4.459%	4.061%	3.729%	3.582%
11	5.38%	5.23%	4.95%	4.69%	4.459%	4.061%	3.729%	3.582%
12	5.38%	5.22%	4.94%	4.69%	4.46%	4.061%	3.73%	3.582%
13	5.38%	5.23%	4.95%	4.69%	4.459%	4.061%	3.729%	3.582%
14	5.38%	5.22%	4.94%	4.69%	4.46%	4.061%	3.73%	3.582%
15	5.38%	5.23%	4.95%	4.68%	4.459%	4.061%	3.729%	3.582%
16	5.37%	5.22%	4.94%	4.69%	4.46%	4.061%	3.73%	3.582%
17	3.36%	5.23%	4.95%	4.68%	4.459%	4.061%	3.729%	3.582%
18		0.65%	4.94%	4.69%	4.46%	4.061%	3.73%	3.582%
19			0.62%	4.68%	4.459%	4.061%	3.729%	3.581%
20				0.59%	4.46%	4.06%	3.73%	3.582%
21					0.557%	4.061%	3.729%	3.581%
22						4.06%	3.73%	3.582%
23						0.508%	3.729%	3.581%
24							3.73%	3.582%
25							0.466%	3.581%
26								0.448%

Table 15 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	4.953%	4.688%	4.375%	3.75%	3.281%	2.917	2.625%
2	5.38%	5.106%	4.781%	4.125%	3.627%	3.236%	2.921%
3	5.075%	4.832%	4.542%	3.948%	3.491%	3.128%	2.834%
4	4.788%	4.574%	4.315%	3.779%	3.36%	3.024%	2.749%
5	4.517%	4.329%	4.099%	3.617%	3.234%	2.923%	2.666%
6	4.262%	4.097%	3.894%	3.462%	3.113%	2.826%	2.586%
7	4.02%	3.877%	3.7%	3.314%	2.996%	2.732%	2.509%
8	3.793%	3.669%	3.515%	3.172%	2.884%	2.64%	2.433%
9	3.578%	3.473%	3.339%	3.036%	2.776%	2.552%	2.36%
10	3.383%	3.287%	3.172%	2.906%	2.671%	2.467%	2.29%
11	3.384%	3.204%	3.013%	2.781%	2.571%	2.385%	2.221%
12	3.383%	3.204%	2.994%	2.662%	2.475%	2.306%	2.154%
13	3.384%	3.204%	2.994%	2.571%	2.382%	2.229%	2.09%
14	3.383%	3.204%	2.994%	2.571%	2.293%	2.154%	2.027%
15	3.384%	3.204%	2.994%	2.571%	2.252%	2.083%	1.966%
16	3.383%	3.204%	2.994%	2.571%	2.252%	2.013%	1.907%
17	3.384%	3.204%	2.994%	2.571%	2.253%	2.005%	1.85%
18	3.383%	3.204%	2.994%	2.571%	2.252%	2.005%	1.806%
19	3.384%	3.204%	2.994%	2.571%	2.253%	2.005%	1.806%
20	3.383%	3.204%	2.994%	2.571%	2.252%	2.005%	1.806%
21	3.384%	3.203%	2.993%	2.571%	2.253%	2.005%	1.806%
22	3.383%	3.204%	2.994%	2.571%	2.252%	2.005%	1.806%
23	3.384%	3.203%	2.993%	2.571%	2.253%	2.005%	1.806%
24	3.383%	3.204%	2.994%	2.57%	2.252%	2.005%	1.806%
25	3.384%	3.203%	2.993%	2.571%	2.253%	2.004%	1.806%
26	3.383%	3.204%	2.994%	2.57%	2.252%	2.005%	1.806%
27	2.115%	3.203%	2.993%	2.751%	2.253%	2.004%	1.806%
28		3.204%	2.994%	2.57%	2.252%	2.005%	1.805%
29		0.4%	2.993%	2.571%	2.253%	2.004%	1.806%
30			2.994%	2.57%	2.252%	2.005%	1.805%
31			0.374%	2.571%	2.253%	2.004%	1.806%
32				2.57%	2.252%	2.005%	1.805%
33				2.571%	2.253%	2.004%	1.806%
34				2.57%	2.252%	2.005%	1.805%
35				2.571%	2.253%	2.004%	1.806%
36				0.321%	2.252%	2.005%	1.805%
37					2.253%	2.004%	1.806%
38					2.252%	2.005%	1.805%
39					2.253%	2.004%	1.806%
40					2.252%	2.005%	1.805%
41					0.282%	2.004%	1.806%
42						2.005%	1.805%
43						2.004%	1.806%
44						2.005%	1.805%
45						2.004%	1.806%
46						0.251%	1.805%
47							1.806%
48							1.805%
49							1.806%
50							1.805%
51							0.226%

Table 16

150% declining balance method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(Property placed in service in second quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	37.5%	31.25%	26.79%	23.44%	18.75%	15.63%	14.42%	13.39%
2	37.5%	34.38%	31.38%	28.71%	24.38%	21.09%	19.75%	18.56%
3	25%	25%	22.31%	20.15%	17.06%	15.82%	15.19%	14.58%
4		9.37%	19.52%	20.15%	16.76%	14.06%	13.07%	12.22%
5				7.55%	16.76%	14.06%	13.07%	12.22%
6					6.29%	14.07%	13.07%	12.22%
7						5.27%	11.43%	12.23%
8								4.58%

Table 16 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	12.5%	11.72%	11.03%	10.42%	9.87%	9.38%	8.93%	8.52%
2	17.5%	16.55%	15.7%	14.93%	14.23%	13.59%	13.01%	12.47%
3	14%	13.45%	12.93%	12.44%	11.98%	11.55%	11.15%	10.77%
4	11.49%	10.93%	10.65%	10.37%	10.09%	9.82%	9.56%	9.31%
5	11.49%	10.82%	10.19%	9.64%	9.16%	8.73%	8.34%	8.04%
6	11.49%	10.82%	10.19%	9.65%	9.16%	8.73%	8.34%	7.98%
7	11.48%	10.83%	10.19%	9.64%	9.16%	8.73%	8.34%	7.98%
8	10.05%	10.82%	10.2%	9.65%	9.17%	8.73%	8.34%	7.98%
9		4.06%	8.92%	9.64%	9.16%	8.73%	8.34%	7.99%
10				3.62%	8.02%	8.73%	8.35%	7.98%
11						3.28%	7.3%	7.99%
12								2.99%

Table 16 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	8.15%	7.81%	7.5%	7.21%	6.94%	6.7%	6.25%	5.86%
2	11.98%	11.52%	11.1%	10.71%	10.34%	10%	9.38%	8.83%
3	10.42%	10.08%	9.77%	9.47%	9.19%	8.92%	8.44%	8%
4	9.06%	8.82%	8.6%	8.38%	8.17%	7.97%	7.59%	7.25%
5	7.88%	7.72%	7.56%	7.41%	7.26%	7.12%	6.83%	6.57%
6	7.64%	7.33%	7.04%	6.78%	6.55%	6.35%	6.15%	5.95%
7	7.64%	7.33%	7.04%	6.79%	6.55%	6.32%	5.91%	5.55%
8	7.64%	7.33%	7.05%	6.78%	6.55%	6.32%	5.9%	5.55%
9	7.64%	7.33%	7.04%	6.79%	6.54%	6.32%	5.91%	5.55%
10	7.63%	7.33%	7.05%	6.78%	6.55%	6.32%	5.9%	5.54%
11	7.64%	7.33%	7.04%	6.79%	6.54%	6.32%	5.91%	5.55%
12	6.58%	7.32%	7.05%	6.78%	6.55%	6.32%	5.9%	5.54%
13		2.75%	6.16%	6.79%	6.54%	6.32%	5.91%	5.55%
14				2.54%	5.73%	6.33%	5.9%	5.54%
15						2.37%	5.91%	5.55%
16							2.21%	5.54%
17								2.08%

Table 16 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	5.68%	5.51%	5.21%	4.93%	4.688%	4.261%	3.906%	3.75%
2	8.57%	8.34%	7.9%	7.51%	7.148%	6.528%	6.006%	5.775%
3	7.8%	7.6%	7.24%	6.91%	6.612%	6.083%	5.631%	5.429%
4	7.09%	6.93%	6.64%	6.37%	6.116%	5.668%	5.279%	5.103%
5	6.44%	6.32%	6.08%	5.86%	5.658%	5.281%	4.949%	4.797%
6	5.86%	5.76%	5.58%	5.4%	5.233%	4.921%	4.639%	4.509%
7	5.38%	5.25%	5.11%	4.98%	4.841%	4.586%	4.349%	4.238%
8	5.39%	5.23%	4.94%	4.69%	4.478%	4.273%	4.078%	3.984%
9	5.38%	5.23%	4.94%	4.69%	4.463%	4.063%	3.823%	3.745%
10	5.39%	5.23%	4.95%	4.69%	4.463%	4.063%	3.729%	3.583%
11	5.38%	5.23%	4.94%	4.69%	4.463%	4.062%	3.729%	3.583%
12	5.39%	5.23%	4.95%	4.69%	4.463%	4.063%	3.729%	3.583%
13	5.38%	5.24%	4.94%	4.69%	4.463%	4.062%	3.73%	3.583%
14	5.39%	5.23%	4.95%	4.69%	4.463%	4.063%	3.729%	3.583%
15	5.38%	5.24%	4.94%	4.69%	4.462%	4.062%	3.73%	3.583%
16	5.39%	5.23%	4.95%	4.69%	4.463%	4.063%	3.729%	3.583%
17	4.71%	5.24%	4.94%	4.69%	4.462%	4.062%	3.73%	3.583%
18		1.96%	4.95%	4.69%	4.463%	4.063%	3.729%	3.583%
19			1.85%	4.69%	4.462%	4.062%	3.73%	3.583%
20				1.76%	4.463%	4.063%	3.729%	3.583%
21					1.673%	4.062%	3.73%	3.583%
22						4.063%	3.729%	3.583%
23						1.523%	3.73%	3.583%
24							3.729%	3.582%
25							1.399%	3.583%
26								1.343%

Table 16 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	3.538%	3.348%	3.125%	2.679%	2.344%	2.083%	1.875%
2	5.46%	5.178%	4.844%	4.171%	3.662%	3.264%	2.944%
3	5.151%	4.9%	4.602%	3.992%	3.525%	3.155%	2.855%
4	4.859%	4.638%	4.371%	3.821%	3.393%	3.05%	2.77%
5	4.584%	4.389%	4.153%	3.657%	3.265%	2.948%	2.687%
6	4.325%	4.154%	3.945%	3.501%	3.143%	2.85%	2.606%
7	4.08%	3.932%	3.748%	3.351%	3.025%	2.755%	2.528%
8	3.849%	3.721%	3.561%	3.207%	2.912%	2.663%	2.452%
9	3.631%	3.522%	3.383%	3.069%	2.802%	2.574%	2.378%
10	3.426%	3.333%	3.213%	2.938%	2.697%	2.489%	2.307%
11	3.384%	3.205%	3.053%	2.812%	2.596%	2.406%	2.238%
12	3.383%	3.205%	2.904%	2.692%	2.499%	2.325%	2.171%
13	3.384%	3.205%	2.994%	2.576%	2.405%	2.248%	2.106%
14	3.383%	3.205%	2.994%	2.571%	2.315%	2.173%	2.042%
15	3.384%	3.205%	2.994%	2.571%	2.253%	2.101%	1.981%
16	3.383%	3.204%	2.994%	2.571%	2.253%	2.031%	1.922%
17	3.384%	3.205%	2.994%	2.571%	2.253%	2.005%	1.864%
18	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.808%
19	3.384%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
20	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.806%
21	3.384%	3.205%	2.994%	2.572%	2.253%	2.005%	1.806%
22	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.806%
23	3.384%	3.205%	2.994%	2.572%	2.253%	2.004%	1.806%
24	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.806%
25	3.384%	3.205%	2.994%	2.572%	2.253%	2.004%	1.806%
26	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.806%
27	2.961%	3.205%	2.994%	2.572%	2.253%	2.004%	1.806%
28		3.204%	2.993%	2.571%	2.253%	2.005%	1.806%
29		1.202%	2.994%	2.572%	2.253%	2.004%	1.806%
30			2.993%	2.571%	2.252%	2.005%	1.806%
31			1.123%	2.572%	2.253%	2.004%	1.806%
32				2.571%	2.252%	2.005%	1.806%
33				2.572%	2.253%	2.004%	1.806%
34				2.571%	2.252%	2.005%	1.806%
35				2.572%	2.253%	2.004%	1.806%
36				0.964%	2.252%	2.005%	1.806%
37					2.253%	2.004%	1.806%
38					2.252%	2.005%	1.806%
39					2.253%	2.004%	1.806%
40					2.252%	2.005%	1.806%
41					0.845%	2.004%	1.806%
42						2.005%	1.806%
43						2.004%	1.806%
44						2.005%	1.806%
45						2.004%	1.805%
46						0.752%	1.806%
47							1.805%
48							1.806%
49							1.805%
50							1.806%
51							0.677%

Table 17

150% declining balance method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(Property placed in service in third quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	22.5%	18.75%	16.07%	14.06%	11.25%	9.38%	8.65%	8.04%
2	46.5%	40.63%	35.97%	32.23%	26.63%	22.66%	21.08%	19.71%
3	27.56%	25%	22.57%	20.46%	18.64%	16.99%	16.22%	15.48%
4	3.44%	15.62%	22.57%	20.46%	16.56%	14.06%	13.1%	12.27%
5			2.82%	12.79%	16.57%	14.06%	13.1%	12.28%
6					10.35%	14.06%	13.11%	12.27%
7						8.79%	13.1%	12.28%
8							1.64%	7.67%

Table 17 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	7.5%	7.03%	6.62%	6.25%	5.92%	5.63%	5.36%	5.11%
2	18.5%	17.43%	16.48%	15.63%	14.85%	14.16%	13.52%	12.94%
3	14.8%	14.16%	13.57%	13.02%	12.51%	12.03%	11.59%	11.18%
4	11.84%	11.51%	11.18%	10.85%	10.53%	10.23%	9.93%	9.65%
5	11.48%	10.78%	10.18%	9.64%	9.17%	8.75%	8.51%	8.33%
6	11.48%	10.78%	10.17%	9.65%	9.17%	8.75%	8.34%	7.97%
7	11.48%	10.78%	10.18%	9.64%	9.18%	8.75%	8.34%	7.97%
8	11.48%	10.79%	10.17%	9.65%	9.17%	8.74%	8.34%	7.97%
9	1.44%	6.74%	10.18%	9.64%	9.18%	8.75%	8.34%	7.97%
10			1.27%	6.03%	9.17%	8.74%	8.34%	7.97%
11					1.15%	5.47%	8.35%	7.96%
12							1.04%	4.98%

Table 17 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	4.89%	4.69%	4.5%	4.33%	4.17%	4.02%	3.75%	3.52%
2	12.41%	11.91%	11.46%	11.04%	10.65%	10.28%	9.63%	9.05%
3	10.79%	10.43%	10.08%	9.77%	9.46%	9.18%	8.66%	8.2%
4	9.38%	9.12%	8.88%	8.64%	8.41%	8.2%	7.8%	7.43%
5	8.16%	7.98%	7.81%	7.64%	7.48%	7.32%	7.02%	6.73%
6	7.63%	7.33%	7.05%	6.79%	6.65%	6.54%	6.31%	6.1%
7	7.63%	7.33%	7.05%	6.79%	6.55%	6.31%	5.9%	5.55%
8	7.63%	7.33%	7.05%	6.79%	6.54%	6.31%	5.9%	5.55%
9	7.63%	7.33%	7.05%	6.79%	6.55%	6.32%	5.91%	5.55%
10	7.63%	7.32%	7.05%	6.79%	6.54%	6.31%	5.9%	5.55%
11	7.63%	7.33%	7.05%	6.79%	6.55%	6.32%	5.91%	5.55%
12	7.64%	7.32%	7.04%	6.8%	6.54%	6.31%	5.9%	5.55%
13	0.95%	4.58%	7.05%	6.79%	6.55%	6.32%	5.91%	5.55%
14			0.88%	4.25%	6.54%	6.31%	5.9%	5.55%
15					0.82%	3.95%	5.91%	5.55%
16							3.69%	5.55%
17								3.47%

Table 17 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	3.41%	3.31%	3.13%	2.96%	2.813%	2.557%	2.344%	2.25%
2	8.78%	8.53%	8.07%	7.66%	7.289%	6.644%	6.104%	5.865%
3	7.98%	7.78%	7.4%	7.06%	6.742%	6.191%	5.722%	5.513%
4	7.26%	7.09%	6.78%	6.5%	6.237%	5.769%	5.364%	5.182%
5	6.6%	6.47%	6.22%	5.99%	5.769%	5.375%	5.029%	4.871%
6	6%	5.9%	5.7%	5.51%	5.336%	5.009%	4.715%	4.579%
7	5.45%	5.38%	5.23%	5.08%	4.936%	4.667%	4.42%	4.304%
8	5.38%	5.23%	4.94%	4.69%	4.566%	4.349%	4.144%	4.046%
9	5.39%	5.23%	4.94%	4.69%	4.46%	4.064%	3.885%	3.803%
10	5.38%	5.23%	4.94%	4.69%	4.46%	4.064%	3.729%	3.584%
11	5.39%	5.23%	4.94%	4.69%	4.46%	4.064%	3.73%	3.584%
12	5.38%	5.23%	4.95%	4.69%	4.46%	4.064%	3.729%	3.584%
13	5.39%	5.22%	4.94%	4.69%	4.461%	4.064%	3.73%	3.584%
14	5.38%	5.23%	4.95%	4.69%	4.46%	4.064%	3.729%	3.584%
15	5.39%	5.22%	4.94%	4.7%	4.461%	4.064%	3.73%	3.584%
16	5.38%	5.23%	4.95%	4.69%	4.46%	4.064%	3.729%	3.584%
17	5.39%	5.22%	4.94%	4.7%	4.461%	4.064%	3.73%	3.584%
18	0.67%	3.27%	4.95%	4.69%	4.46%	4.065%	3.729%	3.584%
19			3.09%	4.7%	4.461%	4.064%	3.73%	3.584%
20				2.93%	4.46%	4.065%	3.729%	3.584%
21					2.788%	4.064%	3.73%	3.585%
22						4.065%	3.729%	3.584%
23						2.54%	3.73%	3.585%
24							3.729%	3.584%
25							2.331%	3.585%
26								2.24%

Table 17 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	2.123%	2.009%	1.875%	1.607%	1.406%	1.25%	1.125%
2	5.54%	5.25%	4.906%	4.217%	3.697%	3.292%	2.966%
3	5.227%	4.968%	4.661%	4.036%	3.559%	3.182%	2.877%
4	4.931%	4.702%	4.428%	3.863%	3.425%	3.076%	2.791%
5	4.652%	4.45%	4.207%	3.698%	3.297%	2.973%	2.707%
6	4.388%	4.212%	3.996%	3.539%	3.173%	2.874%	2.626%
7	4.14%	3.986%	3.796%	3.387%	3.054%	2.778%	2.547%
8	3.906%	3.773%	3.607%	3.242%	2.94%	2.686%	2.471%
9	3.685%	3.571%	3.426%	3.103%	2.829%	2.596%	2.397%
10	3.476%	3.379%	3.255%	2.97%	2.723%	2.51%	2.325%
11	3.383%	3.205%	3.092%	2.843%	2.621%	2.426%	2.255%
12	3.383%	3.205%	2.994%	2.721%	2.523%	2.345%	2.187%
13	3.383%	3.205%	2.994%	2.605%	2.428%	2.267%	2.122%
14	3.383%	3.205%	2.994%	2.571%	2.337%	2.192%	2.058%
15	3.383%	3.205%	2.994%	2.571%	2.253%	2.118%	1.996%
16	3.383%	3.206%	2.994%	2.571%	2.253%	2.048%	1.937%
17	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.878%
18	3.383%	3.206%	2.994%	2.571%	2.253%	2.005%	1.822%
19	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
20	3.383%	3.206%	2.993%	2.571%	2.253%	2.005%	1.806%
21	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
22	3.383%	3.206%	2.993%	2.571%	2.253%	2.005%	1.806%
23	3.383%	3.205%	2.994%	2.571%	2.253%	2.005%	1.806%
24	3.383%	3.206%	2.993%	2.571%	2.253%	2.005%	1.806%
25	3.382%	3.205%	2.994%	2.571%	2.253%	2.004%	1.806%
26	3.383%	3.206%	2.993%	2.571%	2.253%	2.005%	1.806%
27	3.382%	3.205%	2.994%	2.571%	2.253%	2.004%	1.806%
28	0.423%	3.206%	2.993%	2.571%	2.253%	2.005%	1.806%
29		2.003%	2.994%	2.571%	2.253%	2.004%	1.806%
30			2.993%	2.571%	2.253%	2.005%	1.806%
31			1.871%	2.571%	2.253%	2.004%	1.806%
32				2.571%	2.253%	2.005%	1.806%
33				2.571%	2.253%	2.004%	1.806%
34				2.571%	2.253%	2.005%	1.806%
35				2.571%	2.253%	2.004%	1.806%
36				1.607%	2.253%	2.005%	1.806%
37					2.253%	2.004%	1.805%
38					2.254%	2.005%	1.806%
39					2.253%	2.004%	1.805%
40					2.254%	2.005%	1.806%
41					1.408%	2.004%	1.805%
42						2.005%	1.806%
43						2.004%	1.805%
44						2.005%	1.806%
45						2.004%	1.805%
46						1.253%	1.806%
47							1.805%
48							1.806%
49							1.805%
50							1.806%
51							1.128%

Table 18

150% declining balance method
Recovery periods from Table of Class Lives and Recovery Periods
Mid-quarter convention
(Property placed in service in fourth quarter)

Year	Recovery periods in years							
	2.5	3	3.5	4	5	6	6.5	7
1	7.5%	6.25%	5.36%	4.69%	3.75%	3.13%	2.88%	2.68%
2	55.5%	46.88%	40.56%	35.74%	28.88%	24.22%	22.41%	20.85%
3	26.91%	25%	23.18%	22.34%	20.21%	18.16%	17.24%	16.39%
4	10.09%	21.87%	22.47%	19.86%	16.4%	14.06%	13.26%	12.87%
5			8.43%	17.37%	16.41%	14.06%	13.1%	12.18%
6					14.35%	14.06%	13.1%	12.18%
7						12.31%	13.1%	12.19%
8							4.91%	10.66%

Table 18 (Continued)

Year	Recovery periods in years							
	7.5	8	8.5	9	9.5	10	10.5	11
1	2.5%	2.34%	2.21%	2.08%	1.97%	1.88%	1.79%	1.7%
2	19.5%	18.31%	17.26%	16.32%	15.48%	14.72%	14.03%	13.4%
3	15.6%	14.88%	14.21%	13.6%	13.03%	12.51%	12.03%	11.58%
4	12.48%	12.09%	11.7%	11.33%	10.98%	10.63%	10.31%	10%
5	11.41%	10.74%	10.16%	9.65%	9.24%	9.04%	8.83%	8.63%
6	11.41%	10.75%	10.16%	9.65%	9.17%	8.72%	8.32%	7.95%
7	11.41%	10.74%	10.16%	9.64%	9.17%	8.72%	8.31%	7.96%
8	11.41%	10.75%	10.16%	9.65%	9.17%	8.72%	8.32%	7.95%
9	4.28%	9.4%	10.17%	9.64%	9.17%	8.72%	8.31%	7.96%
10			3.81%	8.44%	9.18%	8.71%	8.32%	7.95%
11					3.44%	7.63%	8.31%	7.96%
12							3.12%	6.96%

Table 18 (Continued)

Year	Recovery periods in years							
	11.5	12	12.5	13	13.5	14	15	16
1	1.63%	1.56%	1.5%	1.44%	1.39%	1.34%	1.25%	1.17%
2	12.83%	12.31%	11.82%	11.37%	10.96%	10.57%	9.88%	9.27%
3	11.16%	10.77%	10.4%	10.06%	9.74%	9.44%	8.89%	8.4%
4	9.7%	9.42%	9.15%	8.9%	8.66%	8.43%	8%	7.61%
5	8.44%	8.24%	8.06%	7.87%	7.69%	7.52%	7.2%	6.9%
6	7.63%	7.33%	7.09%	6.96%	6.84%	6.72%	6.48%	6.25%
7	7.63%	7.33%	7.05%	6.78%	6.53%	6.31%	5.9%	5.36%
8	7.62%	7.33%	7.05%	6.78%	6.53%	6.31%	5.9%	5.54%
9	7.63%	7.33%	7.05%	6.78%	6.53%	6.31%	5.9%	5.54%
10	7.62%	7.32%	7.05%	6.78%	6.54%	6.31%	5.91%	5.54%
11	7.63%	7.33%	7.05%	6.78%	6.53%	6.31%	5.9%	5.54%
12	7.62%	7.32%	7.04%	6.78%	6.54%	6.3%	5.91%	5.55%
13	2.86%	6.41%	7.05%	6.78%	6.53%	6.31%	5.9%	5.54%
14			2.64%	5.94%	6.54%	6.3%	5.91%	5.55%
15					2.45%	5.52%	5.9%	5.54%
16							5.17%	5.55%
17								4.85%

Table 18 (Continued)

Year	Recovery periods in years							
	16.5	17	18	19	20	22	24	25
1	1.14%	1.1%	1.04%	0.99%	0.938%	0.852%	0.781%	0.75%
2	8.99%	8.73%	8.25%	7.82%	7.43%	6.76%	6.201%	5.955%
3	8.17%	7.96%	7.56%	7.2%	6.872%	6.299%	5.814%	5.596%
4	7.43%	7.25%	6.93%	6.63%	6.357%	5.87%	5.45%	5.262%
5	6.75%	6.61%	6.35%	6.11%	5.88%	5.469%	5.11%	4.946%
6	6.14%	6.03%	5.82%	5.63%	5.439%	5.097%	4.79%	4.649%
7	5.58%	5.5%	5.34%	5.18%	5.031%	4.749%	4.491%	4.37%
8	5.38%	5.22%	4.94%	4.77%	4.654%	4.425%	4.21%	4.108%
9	5.38%	5.23%	4.94%	4.69%	4.458%	4.124%	3.947%	3.862%
10	5.38%	5.22%	4.94%	4.69%	4.458%	4.062%	3.73%	3.63%
11	5.38%	5.23%	4.95%	4.69%	4.458%	4.062%	3.729%	3.582%
12	5.38%	5.22%	4.94%	4.69%	4.458%	4.062%	3.73%	3.582%
13	5.38%	5.23%	4.95%	4.69%	4.458%	4.062%	3.729%	3.582%
14	5.38%	5.22%	4.94%	4.69%	4.458%	4.061%	3.73%	3.582%
15	5.37%	5.23%	4.95%	4.69%	4.458%	4.062%	3.729%	3.582%
16	5.38%	5.22%	4.94%	4.69%	4.458%	4.061%	3.73%	3.583%
17	5.37%	5.23%	4.95%	4.68%	4.458%	4.062%	3.729%	3.582%
18	2.02%	4.57%	4.94%	4.69%	4.459%	4.061%	3.73%	3.583%
19			4.33%	4.68%	4.458%	4.062%	3.729%	3.582%
20				4.1%	4.459%	4.061%	3.73%	3.583%
21					3.901%	4.062%	3.729%	3.582%
22						4.061%	3.73%	3.583%
23						3.554%	3.729%	3.582%
24							3.73%	3.583%
25							3.263%	3.582%
26								3.135%

Table 18 (Continued)

Year	Recovery periods in years						
	26.5	28	30	35	40	45	50
1	0.708%	0.67%	0.625%	0.536%	0.469%	0.417%	0.375%
2	5.62%	5.321%	4.969%	4.263%	3.732%	3.319%	2.989%
3	5.302%	5.036%	4.72%	4.08%	3.582%	3.209%	2.899%
4	5.002%	4.766%	4.484%	3.905%	3.458%	3.102%	2.812%
5	4.719%	4.511%	4.26%	3.738%	3.328%	2.998%	2.728%
6	4.452%	4.269%	4.047%	3.578%	3.203%	2.898%	2.646%
7	4.2%	4.041%	3.845%	3.424%	3.083%	2.802%	2.567%
8	3.962%	3.824%	3.653%	3.278%	2.968%	2.706%	2.49%
9	3.738%	3.619%	3.47%	3.137%	2.856%	2.618%	2.415%
10	3.526%	3.426%	3.296%	3.003%	2.749%	2.531%	2.342%
11	3.383%	3.242%	3.132%	2.874%	2.646%	2.447%	2.272%
12	3.382%	3.204%	2.994%	2.751%	2.547%	2.365%	2.204%
13	3.383%	3.204%	2.994%	2.633%	2.451%	2.286%	2.138%
14	3.382%	3.204%	2.994%	2.57%	2.359%	2.21%	2.074%
15	3.383%	3.204%	2.994%	2.571%	2.271%	2.136%	2.011%
16	3.382%	3.204%	2.994%	2.57%	2.253%	2.065%	1.951%
17	3.383%	3.204%	2.994%	2.571%	2.253%	2.005%	1.893%
18	3.382%	3.204%	2.994%	2.57%	2.253%	2.005%	1.836%
19	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.80b%
20	3.382%	3.204%	2.994%	2.57%	2.253%	2.005%	1.806%
21	3.383%	3.204%	2.993%	2.571%	2.253%	2.005%	1.806%
22	3.382%	3.204%	2.994%	2.57%	2.253%	2.005%	1.806%
23	3.383%	3.205%	2.993%	2.571%	2.253%	2.005%	1.806%
24	3.382%	3.204%	2.994%	2.57%	2.253%	2.005%	1.805%
25	3.383%	3.205%	2.993%	2.571%	2.253%	2.005%	1.806%
26	3.382%	3.204%	2.994%	2.57%	2.252%	2.005%	1.805%
27	3.383%	3.205%	2.993%	2.571%	2.253%	2.004%	1.806%
28	1.268%	3.204%	2.994%	2.57%	2.252%	2.005%	1.805%
29		2.804%	2.993%	2.571%	2.253%	2.004%	1.806%
30			2.994%	2.57%	2.252%	2.005%	1.805%
31			2.619%	2.571%	2.253%	2.004%	1.806%
32				2.57%	2.252%	2.005%	1.805%
33				2.571%	2.253%	2.004%	1.806%
34				2.57%	2.252%	2.005%	1.805%
35				2.571%	2.253%	2.004%	1.806%
36				2.249%	2.252%	2.005%	1.805%
37					2.253%	2.004%	1.806%
38					2.252%	2.005%	1.805%
39					2.253%	2.004%	1.806%
40					2.252%	2.005%	1.805%
41					1.971%	2.004%	1.806%
42						2.005%	1.805%
43						2.004%	1.806%
44						2.005%	1.805%
45						2.004%	1.806%
46						1.754%	1.805%
47							1.806%
48							1.805%
49							1.806%
50							1.805%
51							1.58%

Table XXI

Amount A percentages for rented listed property

Type of Property	First Tax Year During Lease in Which Business Use Percentage is 50% or Less											
	1	2	3	4	5	6	7	8	9	10	11	12 & Later
Property with a recovery period of less than 7 years under the alternate MACRS method	2.1%	—7.2%	—19.8%	—20.1%	—12.4%	—12.4%	—12.4%	—12.4%	—12.4%	—12.4%	—12.4%	—12.4%
Property with a 7- to 10-year recovery period under the alternate MACRS method	3.9%	—3.8%	—17.7%	—25.1%	—27.8%	—27.2%	—27.1%	—27.6%	—23.1%	—14.7%	—14.7%	—14.7%
Property with a recovery period of more than 10 years under the alternate MACRS method	6.6%	—1.6%	—16.9%	—25.6%	—29.9%	—31.1%	—32.8%	—35.1%	—33.3%	—26.7%	—19.7%	—12.2%

Table XXII

Amount B percentages for rented listed property

Type of Property	First Tax Year During Lease in Which Business Use Percentage is 50% or Less											
	1	2	3	4	5	6	7	8	9	10	11	12 & Later
Property with a recovery period of less than 7 years under the alternate MACRS method	0.0%	10.0%	22.0%	21.2%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%	12.7%
Property with a 7- to 10-year recovery period under the alternate MACRS method	0.0%	9.3%	23.8%	31.3%	33.8%	32.7%	31.6%	30.5%	25.0%	15.0%	15.0%	15.0%
Property with a recovery period of more than 10 years under the alternate MACRS method	0.0%	10.1%	26.3%	35.4%	39.6%	40.2%	40.8%	41.4%	37.5%	29.2%	20.8%	12.5%

ABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
SPECIFIC DEPRECIABLE ASSETS USED IN ALL BUSINESS ACTIVITIES, EXCEPT AS NOTED:				
00.11	**Office Furniture, Fixtures, and Equipment:** Includes furniture and fixtures that are not a structural component of a building. Includes such assets as desks, files, safes, and communications equipment. Does not include communications equipment that is included in other classes.	10	7	10
00.12	**Information Systems:** Includes computers and their peripheral equipment used in administering normal business transactions and the maintenance of business records, their retrieval and analysis. Information systems are defined as: 1) Computers: A computer is a programmable electronically activated device capable of accepting information, applying prescribed processes to the information, and supplying the results of these processes with or without human intervention. It usually consists of a central processing unit containing extensive storage, logic, arithmetic, and control capabilities. Excluded from this category are adding machines, electronic desk calculators, etc., and other equipment described in class 00.13. 2) Peripheral equipment consists of the auxiliary machines which are designed to be placed under control of the central processing unit. Nonlimiting examples are: Card readers, card punches, magnetic tape feeds, high speed printers, optical character readers, tape cassettes, mass storage units, paper tape equipment, keypunches, data entry devices, teleprinters, terminals, tape drives, disc drives, disc files, disc packs, visual image projector tubes, card sorters, plotters, and collators. Peripheral equipment may be used on-line or off-line. Does not include equipment that is an integral part of other capital equipment that is included in other classes of economic activity, i.e., computers used primarily for process or production control, switching, channeling, and automating distributive trades and services such as point of sale (POS) computer systems. Also, does not include equipment of a kind used primarily for amusement or entertainment of the user	6	5	5
00.13	**Data Handling Equipment; except Computers:** Includes only typewriters, calculators, adding and accounting machines, copiers, and duplicating equipment	6	5	6
00.21	**Airplanes (airframes and engines), except those used in commercial or contract carrying of passengers or freight, and all helicopters (airframes and engines)**	6	5	6
00.22	**Automobiles, Taxis**	3	5	5
00.23	**Buses**	9	5	9
00.241	**Light General Purpose Trucks:** Includes trucks for use over the road (actual weight less than 13,000 pounds)	4	5	5
00.242	**Heavy General Purpose Trucks:** Includes heavy general purpose trucks, concrete ready mix-truckers, and ore trucks, for use over the road (actual unloaded weight 13,000 pounds or more)	6	5	6
00.25	**Railroad Cars and Locomotives, except those owned by railroad transportation companies**	15	7	15
00.26	**Tractor Units for Use Over-The-Road**	4	3	4
00.27	**Trailers and Trailer-Mounted Containers**	6	5	6
00.28	**Vessels, Barges, Tugs, and Similar Water Transportation Equipment, except those used in marine construction**	18	10	18
00.3	**Land Improvements:** Includes improvements directly to or added to land, whether such improvements are section 1245 property or section 1250 property, provided such improvements are depreciable. Examples of such assets might include sidewalks, roads, canals, waterways, drainage facilities, sewers (not including municipal sewers in Class 51), wharves and docks, bridges, fences, landscaping shrubbery, or radio and television transmitting towers. Does not include land improvements that are explicitly included in any other class, and buildings and structural components as defined in section 1.48-1(e) of the regulations. Excludes public utility initial clearing and grading land improvements as specified in Rev. Rul. 72-403, 1972-2 C.B. 102	20	15	20
00.4	**Industrial Steam and Electric Generation and/or Distribution Systems:** Includes assets, whether such assets are section 1245 property or 1250 property, providing such assets are depreciable, used in the production and/or distribution of electricity with rated total capacity in excess of 500 Kilowatts and/or assets used in the production and/or distribution of steam with rated total capacity in excess of 12,500 pounds per hour for use by the taxpayer in its industrial manufacturing process or plant activity and not ordinarily available for sale to others. Does not include buildings and structural components as defined in section 1.48-1(e) of the regulations. Assets used to generate and/or distribute electricity or steam of the type described above but of lesser rated capacity are not included, but are included in the appropriate manufacturing equipment classes elsewhere specified. Also includes electric generating and steam distribution assets, which may utilize steam produced by a waste reduction and resource recovery plant, used by the taxpayer in its industrial manufacturing process or plant activity. Steam and chemical recovery boiler systems used for the recovery and regeneration of chemicals used in manufacturing, with rated capacity in excess of that described above, with specifically related distribution and return systems are not included but are included in appropriate manufacturing equipment classes elsewhere specified. An example of an excluded steam and chemical recovery boiler system is that used in the pulp and paper manufacturing equipment classes elsewhere specified. An example of an excluded steam and chemical recovery boiler system is that used in the pulp and paper manufacturing industry	22	15	22

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
	DEPRECIABLE ASSETS USED IN THE FOLLOWING ACTIVITIES:			
01.1	**Agriculture:** Includes machinery and equipment, grain bins, and fences but no other land improvements, that are used in the production of crops or plants, vines, and trees; livestock; the operation of farm dairies, nurseries, greenhouses, sod farms, mushroom cellars cranberry bogs, apiaries, and fur farms; the performance of agriculture, animal husbandry, and horticultural services	10	7	10
01.11	**Cotton Ginning Assets**	12	7	12
01.21	**Cattle, Breeding or Dairy**	7	5	7
01.221	**Any breeding or work horse that is 12 years old or less at the time it is placed in service****	10	7	10
01.222	**Any breeding or work horse that is more than 12 years old at the time it is placed in service****	10	3	10
01.223	**Any race horse that is more than 2 years old at the time it is placed in service****	*	3	12
01.224	**Any horse that is more than 12 years old at the time it is placed in service and that is neither a race horse nor a horse described in class 01.222****	*	3	12
01.225	**Any horse not described in classes 01.221, 01.222, 01.223, or 01.224**	*	7	12
01.23	**Hogs, Breeding**	3	3	3
01.24	**Sheep and Goats, Breeding**	5	5	5
01.3	**Farm buildings except structures included in Class 01.4**	25	20	25
01.4	**Single purpose agricultural or horticultural structures (within the meaning of section 48(p) of the Code)**	15	7	15
10.0	**Mining:** Includes assets used in the mining and quarrying of metallic and nonmetallic minerals (including sand, gravel, stone, and clay) and the milling, beneficiation and other primary preparation of such materials	10	7	10
13.0	**Offshore Drilling:** Includes assets used in offshore drilling for oil and gas such as floating, self-propelled and other drilling vessels, barges, platforms, and drilling equipment and support vessels such as tenders, barges, towboats and crewboats. Excludes oil and gas production assets	7.5	5	7.5
13.1	**Drilling of Oil and Gas Wells:** Includes assets used in the drilling of onshore oil and gas wells and the provision of geophysical and other exploration services; and the provision of such oil and gas field services as chemical treatment, plugging and abandoning of wells and cementing or perforating well casings. Does not include assets used in the performance of any of these activities and services by integrated petroleum and natural gas producers for their own account	6	5	6
13.2	**Exploration for and Production of Petroleum and Natural Gas Deposits:** Includes assets used by petroleum and natural gas producers for drilling of wells and production of petroleum and natural gas, including gathering pipelines and related storage facilities. Also includes petroleum and natural gas offshore transportation facilities used by producers and others consisting of platforms (other than drilling platforms classified in Class 13.0), compression or pumping equipment, and gathering and transmission lines to the first onshore transshipment facility. The assets used in the first onshore transshipment facility are also included and consist of separation equipment (used for separation of natural gas, liquids, aned in Class 49.23), and liquid holding or storage facilities (other than those classified in Class 49.25). Does not include support vessels	14	7	14
13.3	**Petroleum Refining:** Includes assets used for the distillation, fractionation, and catalytic cracking of crude petroleum into gasoline and its other components	16	10	16
15.0	**Construction:** Includes assets used in construction by general building, special trade, heavy and marine construction contractors, operative and investment builders, real estate subdividers and developers, and others except railroads	6	5	6
20.1	**Manufacture of Grain and Grain Mill Products:** Includes assets used in the production of flours, cereals, livestock feeds, and other grain and grain mill products	17	10	17
20.2	**Manufacture of Sugar and Sugar Products:** Includes assets used in the production of raw sugar, syrup, or finished sugar from sugar cane or sugar beets	18	10	18
20.3	**Manufacture of Vegetable Oils and Vegetable Oil Products:** Includes assets used in the production of oil from vegetable materials and the manufacture of related vegetable oil products	18	10	18
20.4	**Manufacture of Other Food and Kindred Products:** Includes assets used in the production of foods and beverages not included in classes 20.1, 20.2 and 20.3	12	7	12
20.5	**Manufacture of Food and Beverages—Special Handling Devices:** Includes assets defined as specialized materials handling devices such as returnable pallets, palletized containers, and fish processing equipment including boxes, baskets, carts, and flaking trays used in activities as defined in classes 20.1, 20.2, 20.3 and 20.4. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices	4	3	4

* Property described in asset classes 01.223, 01.224, and 01.225 are assigned recovery periods but have no class lives.

** A horse is more than 2 (or 12) years old after the day that is 24 (or 144) months after its actual birthdate.

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
21.0	**Manufacture of Tobacco and Tobacco Products:** Includes assets used in the production of cigarettes, cigars, smoking and chewing tobacco, snuff, and other tobacco products	15	7	15
22.1	**Manufacture of Knitted Goods:** Includes assets used in the production of knitted and netted fabrics and lace. Assets used in yarn preparation, bleaching, dyeing, printing, and other similar finishing processes, texturing, and packaging, are elsewhere classified	7.5	5	7.5
22.2	**Manufacture of Yarn, Thread, and Woven Fabric:** Includes assets used in the production of spun yarns including the preparing, blending, spinning, and twisting of fibers into yarns and threads, the preparation of yarns such as twisting, warping, and winding, the production of covered elastic yarn and thread, cordage, woven fabric, tire fabric, braided fabric, twisted jute for packaging, mattresses, pads, sheets, and industrial belts, and the processing of textile mill waste to recover fibers, flocks, and shoddies. Assets used to manufacture carpets, man-made fibers, and nonwovens, and assets used in texturing, bleaching, dyeing, printing, and other similar finishing processes, are elsewhere classified	11	7	11
22.3	**Manufacture of Carpets and Dyeing, Finishing, and Packaging of Textile Products and Manufacture of Medical and Dental Supplies:** Includes assets used in the production of carpets, rugs, mats, woven carpet backing, chenille, and other tufted products, and assets used in the joining together of backing with carpet yarn or fabric. Includes assets used in washing, scouring, bleaching, dyeing, printing, drying, and similar finishing processes applied to textile fabrics, yarns, threads, and other textile goods. Includes assets used in the production and packaging of textile products, other than apparel, by creasing, forming, trimming, cutting, and sewing, such as the preparation of carpet and fabric samples, or similar joining together processes (other than the production of scrim reinforced paper products and laminated paper products) such as the sewing and folding of hosiery and panty hose, and the creasing, folding, trimming, and cutting of fabrics to produce nonwoven products, such as disposable diapers and sanitary products. Also includes assets used in the production of medical and dental supplies other than drugs and medicines. Assets used in the manufacture of nonwoven carpet backing, and hard surface floor covering such as tile, rubber, and cork, are elsewhere classified	9	5	9
22.4	**Manufacture of Textured Yarns:** Includes assets used in the processing of yarns to impart bulk and/or stretch properties to the yarn. The principal machines involved are falsetwist, draw, beam-to-beam, and stuffer box texturing equipment and related highspeed twisters and winders. Assets, as described above, which are used to further process man-made fibers are elsewhere classified when located in the same plant in an integrated operation with man-made fiber producing assets. Assets used to manufacture man-made fibers and assets used in bleaching, dyeing, printing, and other similar finishing processes, are elsewhere classified	8	5	8
22.5	**Manufacture of Nonwoven Fabrics:** Includes assets used in the production of nonwoven fabrics, felt goods including felt hats, padding, batting, wadding, oakum, and fillings, from new materials and from textile mill waste. Nonwoven fabrics are defined as fabrics (other than reinforced and laminated composites consisting of nonwovens and other products) manufactured by bonding natural and/or synthetic fibers and/or filaments by means of induced mechanical interlocking, fluid entanglement, chemical adhesion, thermal or solvent reaction, or by combination thereof other than natural hydration bonding as occurs with natural cellulose fibers. Such means include resin bonding, web bonding, and melt bonding. Specifically includes assets used to make flocked and needle punched products other than carpets and rugs. Assets, as described above, which are used to manufacture nonwovens are elsewhere classified when located in the same plant in an integrated operation with man-made fiber producing assets. Assets used to manufacture man-made fibers and assets used in bleaching, dyeing, printing, and other similar finishing processes, are elsewhere classified	10	7	10
23.0	**Manufacture of Apparel and Other Finished Products:** Includes assets used in the production of clothing and fabricated textile products by the cutting and sewing of woven fabrics, other textile products, and furs; but does not include assets used in the manufacture of apparel from rubber and leather	9	5	9
24.1	**Cutting of Timber:** Includes logging machinery and equipment and roadbuilding equipment used by logging and sawmill operators and pulp manufacturers for their own account	6	5	6
24.2	**Sawing of Dimensional Stock from Logs:** Includes machinery and equipment installed in permanent or well established sawmills	10	7	10
24.3	**Sawing of Dimensional Stock from Logs:** Includes machinery and equipment in sawmills characterized by temporary foundations and a lack, or minimum amount, of lumberhandling, drying, and residue disposal equipment and facilties	6	5	6
24.4	**Manufacture of Wood Products and Furniture:** Includes assets used in the production of plywood, hardboard, flooring, veneers, furniture, and other wood products, including the treatment of poles and timber	10	7	10

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Recovery Periods (in years) Alternate MACRS
26.1	**Manufacture of Pulp and Paper:** Includes assets for pulp materials handling and storage, pulp mill processing, bleach processing, paper and paperboard manufacturing, and on-line finishing. Includes pollution control assets and all land improvements associated with the factory site or production process such as effluent ponds and canals, provided such improvements are depreciable but does not include buildings and structural components as defined in section 1.48–1(e)(1) of the regulations. Includes steam and chemical recovery boiler systems, with any rated capacity, used for the recovery and regeneration of chemicals used in manufacturing. Does not include assets used either in pulpwood logging, or in the manufacture of hardboard.	13	7	13
26.2	**Manufacture of Converted Paper, Paperboard, and Pulp Products:** Includes assets used for modification, or remanufacture of paper and pulp into converted products, such as paper coated off the paper machine, paper bags, paper boxes, cartons and envelopes. Does not include assets used for manufacture of nonwovens that are elsewhere classified	10	7	10
27.0	**Printing, Publishing, and Allied Industries:** Includes assets used in printing by one or more processes, such as letter-press, lithography, gravure, or screen; the performance of services for the printing trade, such as bookbinding, typesetting, engraving, photo-engraving, and electrotyping; and the publication of newspapers, books, and periodicals	11	7	11
28.0	**Manufacture of Chemicals and Allied Products:** Includes assets used to manufacture basic organic and inorganic chemicals; chemical products to be used in further manufacture, such as synthetic fibers and plastics materials; and finished chemical products. Includes assets used to further process man-made fibers, to manufacture plastic film, and to manufacture nonwoven fabrics, when such assets are located in the same plant in an integrated operation with chemical products producing assets. Also includes assets used to manufacture photographic supplies, such as film, photographic paper, sensitized photographic paper, and developing chemicals. Includes all land improvements associated with plant site or production processes, such as effluent ponds and canals, provided such land improvements are depreciable but does not include buildings and structural components as defined in section 1.48–1(e) of the regulations. Does not include assets used in the manufacture of finished rubber and plastic products or in the production of natural gas products, butane, propane, and by-products of natural gas production plants	9.5	5	9.5
30.1	**Manufacture of Rubber Products:** Includes assets used for the production of products from natural, synthetic, or reclaimed rubber, gutta percha, balata, or gutta siak, such as tires, tubes, rubber footwear, mechanical rubber goods, heels and soles, flooring, and rubber sundries; and in the recapping, retreading, and rebuilding of tires	14	7	14
30.11	**Manufacture of Rubber Products—Special Tools and Devices:** Includes assets defined as special tools, such as jigs, dies, mandrels, molds, lasts, patterns, specialty containers, pallets, shells; and tire molds, and accessory parts such as rings and insert plates used in activities as defined in class 30.1. Does not include tire building drums and accessory parts and general purpose small tools such as wrenches and drills, both power and hand-driven, and other general purpose equipment such as conveyors and transfer equipment	4	3	4
30.2	**Manufacture of Finished Plastic Products:** Includes assets used in the manufacture of plastics products and the molding of primary plastics for the trade. Does not include assets used in the manufacture of basic plastics materials nor the manufacture of phonograph records	11	7	11
30.21	**Manufacture of Finished Plastic Products—Special Tools:** Includes assets defined as special tools, such as jigs, dies, fixtures, molds, patterns, gauges, and specialty transfer and shipping devices, used in activities as defined in class 30.2. Special tools are specifically designed for the production or processing of particular parts and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices	3.5	3	3.5
31.0	**Manufacture of Leather and Leather Products:** Includes assets used in the tanning, currying, and finishing of hides and skins; the processing of fur pelts; and the manufacture of finished leather products, such as footwear, belting, apparel, and luggage	11	7	11
32.1	**Manufacture of Glass Products:** Includes assets used in the production of flat, blown, or pressed products of glass, such as float and window glass, glass containers, glassware and fiberglass. Does not include assets used in the manufacture of lenses	14	7	14
32.11	**Manufacture of Glass Products—Special Tools:** Includes assets defined as special tools such as molds, patterns, pallets, and specialty transfer and shipping devices such as steel racks to transport automotive glass, used in activities as defined in class 32.1. Special tools are specifically designed for the production or processing of particular parts and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices	2.5	3	2.5

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
32.2	**Manufacture of Cement:** Includes assets used in the production of cement, but does not include any assets used in the manufacture of concrete and concrete products nor in any mining or extraction process	20	15	20
32.3	**Manufacture of Other Stone and Clay Products:** Includes assets used in the manufacture of products from materials in the form of clay and stone, such as brick, tile, and pipe; pottery and related products, such as vitreous-china, plumbing fixtures, earthenware and ceramic insulating materials; and also includes assets used in manufacture of concrete and concrete products. Does not include assets used in any mining or extraction processes	15	7	15
33.2	**Manufacture of Primary Nonferrous Metals:** Includes assets used in the smelting, refining, and electrolysis of nonferrous metals from ore, pig, or scrap, the rolling, drawing, and alloying of nonferrous metals; the manufacture of castings, forgings, and other basic products of nonferrous metals; and the manufacture of nails, spikes, structural shapes, tubing, wire, and cable	14	7	14
33.21	**Manufacture of Primary Nonferrous Metals—Special Tools:** Includes assets defined as special tools such as dies, jigs, molds, patterns, fixtures, gauges, and drawings concerning such special tools used in the activities as defined in class 33.2, Manufacture of Primary Nonferrous Metals. Special tools are specifically designed for the production or processing of particular products or parts and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices. Rolls, mandrels and refractories are not included in class 33.21 but are included in class 33.2.	6.5	5	6.5
33.3	**Manufacture of Foundry Products:** Includes assets used in the casting of iron and steel, including related operations such as molding and coremaking. Also includes assets used in the finishing of castings and patternmaking when performed at the foundry, all special tools and related land improvements	14	7	14
33.4	**Manufacture of Primary Steel Mill Products:** Includes assets used in the smelting, reduction, and refining of iron and steel from ore, pig, or scrap; the rolling, drawing and alloying of steel; the manufacture of nails, spikes, structural shapes, tubing, wire, and cable. Includes assets used by steel service centers, ferrous metal forges, and assets used in coke production, regardless of ownership. Also includes related land improvements and all special tools used in the above activities	15	7	15
34.0	**Manufacture of Fabricated Metal Products:** Includes assets used in the production of metal cans, tinware, fabricated structural metal products, metal stampings, and other ferrous and nonferrous metal and wire products not elsewhere classified. Does not include assets used to manufacture non-electric heating apparatus	12	7	12
34.01	**Manufacture of Fabricated Metal Products—Special Tools:** Includes assets defined as special tools such as dies, jigs, molds, patterns, fixtures, gauges, and returnable containers and drawings concerning such special tools used in the activities as defined in class 34.0. Special tools are specifically designed for the production or processing of particular machine components, products, or parts, and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices	3	3	3
35.0	**Manufacture of Electrical and Non-Electrical Machinery and Other Mechanical Products:** Includes assets used to manufacture or rebuild finished machinery and equipment and replacement parts thereof such as machine tools, general industrial and special industry machinery, electrical power generation, transmission, and distribution systems, space heating, cooling, and refrigeration systems, commercial and home appliances, farm and garden machinery, construction machinery, mining and oil field machinery, internal combustion engines (except those elsewhere classified), turbines (except those that power airborne vehicles), batteries, lamps and lighting fixtures, carbon and graphite products, and electromechanical and mechanical products including business machines, instruments, watches and clocks, vending and amusement machines, photographic equipment, medical and dental equipment and appliances, and ophthalmic goods. Includes assets used by manufacturers or rebuilders of such finished machinery and equipment in activities elsewhere classified such as the manufacture of castings, forgings, rubber and plastic products, electronic subassemblies or other manufacturing activities if the interim products are used by the same manufacturer primarily in the manufacture, assembly, or rebuilding of such finished machinery and equipment. Does not include assets used in mining, assets used in the manufacture of primary ferrous and nonferrous metals, assets included in class 00.11 through 00.4 and assets elsewhere classified	10	7	10

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
36.0	**Manufacture of Electronic Components, Products, and Systems:** Includes assets used in the manufacture of electronic communication, computation, instrumentation and control system, including airborne applications; also includes assets used in the manufacture of electronic products such as frequency and amplitude modulated transmitters and receivers, electronic switching stations, television cameras, video recorders, record players and tape recorders, computers and computer peripheral machines, and electronic instruments, watches, and clocks; also includes assets used in the manufacture of components, provided their primary use is in products and systems defined above such as electron tubes, capacitors, coils, resistors, printed circuit substrates, switches, harness cables, lasers, fiber optic devices, and magnetic media devices. Specifically excludes assets used to manufacture electronic products and components, photocopiers, typewriters, postage meters and other electromechanical and mechanical business machines and instruments that are elsewhere classified. Does not include semiconductor manufacturing equipment included in class 36.1	6	5	6
36.1	**Any Semiconductor Manufacturing Equipment** Includes equipment used in the manufacturing of semiconductors if the primary use of the semiconductors so produced is in products and systems of the type defined in class 36.0	5	5	5
37.11	**Manufacture of Motor Vehicles:** Includes assets used in the manufacture and assembly of finished automobiles, trucks, trailers, motor homes, and buses. Does not include assets used in mining, printing and publishing, production of primary metals, electricity, or steam, or the manufacture of glass, industrial chemicals, batteries, or rubber products, which are classified elsewhere. Includes assets used in manufacturing activities elsewhere classified other than those excluded above, where such activities are incidental to and an integral part of the manufacture and assembly of finished motor vehicles such as the manufacture of parts and subassemblies of fabricated metal products, electrical equipment, textiles, plastics, leather, and foundry and forging operations. Does not include any assets not classified in manufacturing activity classes, e.g., does not include any assets classified in asset guideline classes 00.11 through 00.4. Activities will be considered incidental to the manufacture and assembly of finished motor vehicles only if 75 percent or more of the value of the products produced under one roof are used for the manufacture and assembly of finished motor vehicles. Parts that are produced as a normal replacement stock complement in connection with the manufacture and assembly of finished motor vehicles are considered used for the manufacture assembly of finished motor vehicles. Does not include assets used in the manufacture of component parts if these assets are used by taxpayers not engaged in the assembly of finished motor vehicles	12	7	12
37.12	**Manufacture of Motor Vehicles—Special Tools:** Includes assets defined as special tools, such as jigs, dies, fixtures, molds, patterns, gauges, and specialty transfer and shipping devices, owned by manufacturers of finished motor vehicles and used in qualified activities as defined in class 37.11. Special tools are specifically designed for the production or processing of particular motor vehicle components and have no significant utilitarian value, and cannot be adapted to further or different use, after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and powerdriven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices	3	3	3
37.2	**Manufacture of Aerospace Products:** Includes assets used in the manufacture and assembly of airborne vehicles and their component parts including hydraulic, pneumatic, electrical, and mechanical systems. Does not include assets used in the production of electronic airborne detection, guidance, control, radiation, computation, test, navigation, and communication equipment or the components thereof	10	7	10
37.31	**Ship and Boat Building Machinery and Equipment:** Includes assets used in the manufacture and repair of ships, boats, caissons, marine drilling rigs, and special fabrications not included in asset classes 37.32 and 37.33. Specifically includes all manufacturing and repairing machinery and equipment, including machinery and equipment used in the operation of assets included in asset class 37.32. Excludes buildings and their structural components	12	7	12
37.32	**Ship and Boat Building Dry Docks and Land Improvements:** Includes assets used in the manufacture and repair of ships, boats, caissons, marine drilling rigs, and special fabrications not included in asset classes 37.31 and 37.33. Specifically includes floating and fixed dry docks, ship basins, graving docks, shipways, piers, and all other land improvements such as water, sewer, and electric systems. Excludes buildings and their structural components	16	10	16
37.33	**Ship and Boat BuildingSpecial Tools:** Includes assets defined as special tools such as dies, jigs, molds, patterns, fixtures, gauges, and drawings concerning such special tools used in the activities defined in classes 37.31 and 37.32. Special tools are specifically designed for the production or processing of particular machine components, products, or parts, and have no significant utilitarian value and cannot be adapted to further or different use after changes or improvements are made in the model design of the particular part produced by the special tools. Does not include general purpose small tools such as wrenches and drills, both hand and power-driven, and other general purpose equipment such as conveyors, transfer equipment, and materials handling devices.	6.5	5	6.5

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
37.41	**Manufacture of Locomotives:** Includes assets used in building or rebuilding railroad locomotives (including mining and industrial locomotives). Does not include assets of railroad transportation companies or assets of companies which manufacture components of locomotives but do not manufacture finished locomotives	11.5	7	11.5
37.42	**Manufacture of Railroad Cars:** Includes assets used in building or rebuilding railroad freight or passenger cars (including rail transit cars). Does not include assets of railroad transportation companies or assets of companies which manufacture components of railroad cars but do not manufacture finished railroad cars	12	7	12
39.0	**Manufacture of Athletic, Jewelry and Other Goods:** Includes assets used in the production of jewelry; musical instruments; toys and sporting goods; motion picture and television films and tapes; and pens, pencils, office and art supplies, brooms, brushes, caskets, etc.	12	7	12
	Railroad Transportation: Classes with the prefix 40 include the assets identified below that are used in the commercial and contract carrying of passengers and freight by rail. Assets of electrified railroads will be classified in a manner corresponding to that set forth below for railroads not independently operated as electric lines. Excludes the assets included in classes with the prefix beginning 00.1 and 00.2 above, and also excludes any non-depreciable assets included in Interstate Commerce Commission accounts enumerated for this class.			
40.1	**Railroad Machinery and Equipment:** Includes assets classified in the following Interstate Commerce Commission accounts: **Roadway accounts:** (16) Station and office buildings (freight handling machinery and equipment only) (25) TOFC/COFC terminals (freight handling machinery and equipment only) (26) Communication systems (27) Signals and interlockers (37) Roadway machines (44) Shop machinery **Equipment Accounts:** (52) Locomotives (53) Freight train cars (54) Passenger train cars (57) Work equipment	14	7	14
40.2	**Railroad Structures and Similar Improvements:** Includes assets classified in the following Interstate Commerce Commission road accounts: (6) Bridges, trestles, and culverts (7) Elevated structures (13) Fences, snowsheds, and signs (16) Station and office buildings (stations and other operating structures only) (17) Roadway buildings (18) Water stations (19) Fuel stations (20) Shops and enginehouses (25) TOFC/COFC terminals (operating structures only) (31) Power transmission systems (35) Miscellaneous structures (39) Public improvements construction	30	20	30
40.3	**Railroad Wharves and Docks:** Includes assets classified in the following Interstate Commerce accounts: (23) Wharves and docks (24) Coal and ore wharves	20	15	20
40.4	**Railroad Track**	10	7	10
40.51	**Railroad Hydraulic Electric Generating Equipment**	50	20	50
40.52	**Railroad Nuclear Electric Generating Equipment**	20	15	20
40.53	**Railroad Steam Electric Generating Equipment**	28	20	28
40.54	**Railroad Steam, Compressed Air, and Other Power Plant Equipment**	28	20	28
41.0	**Motor Transport-Passengers:** Includes assets used in the urban and interurban commercial and contract carrying of passengers by road, except the transportation assets included in classes with the prefix 00.2	8	5	8
42.0	**Motor Transport-Freight:** Includes assets used in the commercial and contract carrying of freight by road, except the transportation assets included in classes with the prefix 00.2	8	5	8
44.0	**Water Transportation:** Includes assets used in the commercial and contract carrying of freight and passengers by water except the transportation assets included in classes with the prefix 00.2. Includes all related land improvements	20	15	20

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Recovery Periods (in years) Alternate MACRS
45.0	**Air Transport:** Includes assets (except helicopters) used in commercial and contract carrying of passengers and freight by air. For purposes of section 1.167(a)–11(d)(2)(iv)(*a*) of the regulations, expenditures for "repair, maintenance, rehabilitation, or improvement" shall consist of direct maintenance expenses (irrespective of airworthiness provisions or charges) as defined by Civil Aeronautics Board uniform accounts 5200, maintenance burden (exclusive of expenses pertaining to maintenance buildings and improvements) as defined by Civil Aeronautics Board uniform accounts 5300, and expenditures which are not "excluded additions" as defined in section 1.167(a)–11(d)(2)(vi) of the regulations and which would be charged to property and equipment accounts in the Civil Aeronautics Board uniform system of accounts	12	7	12
45.1	**Air Transport (restricted):** Includes each asset described in the description of class 45.0 which was held by the taxpayer on April 15, 1976, or is acquired by the taxpayer pursuant to a contract which was, on April 15, 1976, and at all times thereafter, binding on the taxpayer. This criterion of classification based on binding contract concept is to be applied in the same manner as under the general rules expressed in section 49(b)(1), (4), (5) and (8) of the Code (as in effect prior to its repeal by the Revenue Act of 1978, section 312(c)(1), (d), 1978–3 C.B. 1, 60)	6	5	6
46.0	**Pipeline Transportation:** Includes assets used in the private, commercial, and contract carrying of petroleum, gas and other products by means of pipes and conveyors. The trunk lines and related storage facilities of integrated petroleum and natural gas producers are included in this class. Excludes initial clearing and grading land improvements as specified in Rev. Rul. 72-403, 1972-2, C.B. 102, but includes all other related land improvements	22	15	22
	Telephone Communications: Includes the assets identified below and that are used in the provision of commercial and contract telephonic services such as:			
48.11	**Telephone Central Office Buildings:** Includes assets intended to house central office equipment, as defined in Federal Communications Commission Part 31 Account No. 212 whether section 1245 or section 1250 property	45	20	45
48.12	**Telephone Central Office Equipment:** Includes central office switching and related equipment as defined in Federal Communications Commission Part 31 Account No. 221			
	Does not include computer-based telephone central office switching equipment included in class 48.121. Does not include private branch exchange (PBX) equipment	18	10	18
48.121	**Computer-based Telephone Central Office Switching Equipment:** Includes equipment whose functions are those of a computer or peripheral equipment (as defined in section 168(i)(2)(B) of the Code) used in its capacity as telephone central office equipment. Does not include private exchange (PBX) equipment	9.5	5	9.5
48.13	**Telephone Station Equipment:** Includes such station apparatus and connections as teletypewriters, telephones, booths, private exchanges, and comparable equipment as defined in Federal Communications Commission Part 31 Account Nos. 231, 232, and 234	10	7*	10*
48.14	**Telephone Distribution Plant:** Includes such assets as pole lines, cable, aerial wire, underground conduits, and comparable equipment, and related land improvements as defined in Federal Communications Commission Part 31 Account Nos. 241, 242.1, 242.2, 242.3, 242.4, 243, and 244	24	15	24
48.2	**Radio and Television Broadcastings:** Includes assets used in radio and television broadcasting, except transmitting towers	6	5	6
	Telegraph, Ocean Cable, and Satellite Communications (TOCSC) includes communications-related assets used to provide domestic and international radio-telegraph, wire-telegraph, ocean-cable, and satellite communications services; also includes related land improvements. If property described in Classes 48.31—48.45 is comparable to telephone distribution plant described in Class 48.14 and used for 2-way exchange of voice and data communication which is the equivalent of telephone communication, such property is assigned a class life of 24 years under this revenue procedure. Comparable equipment does not include cable television equipment used primarily for 1-way communication.			
48.31	**TOCSC-Electric Power Generating and Distribution Systems:** Includes assets used in the provision of electric power by generation, modulation, rectification, channelization, control, and distribution. Does not include these assets when they are installed on customers premises	19	10	19
48.32	**TOCSC-High Frequency Radio and Microwave Systems:** Includes assets such as transmitters and receivers, antenna supporting structures, antennas, transmission lines from equipment to antenna, transmitter cooling systems, and control and amplification equipment. Does not include cable and long-line systems	13	7	13
48.33	**TOCSC-Cable and Long-line Systems:** Includes assets such as transmission lines, pole lines, ocean cables, buried cable and conduit, repeaters, repeater stations, and other related assets. Does not include high frequency radio or microwave systems	26.5	20	26.5

* Property described in asset guideline class 48.13 which is qualified technological equipment as defined in section 168(i)(2) is assigned a 5-year recovery period.

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
48.34	**TOCSC-Central Office Control Equipment:** Includes assets for general control, switching, and monitoring of communications signals including electromechanical switching and channeling apparatus, multiplexing equipment, patching and monitoring facilities, in-house cabling, teleprinter equipment, and associated site improvements	16.5	10	16.5
48.35	**TOCSC-Computerized Switching, Channeling, and Associated Control Equipment:** Includes central office switching computers, interfacing computers, other associated specialized control equipment, and site improvements	10.5	7	10.5
48.36	**TOCSC-Satellite Ground Segment Property:** Includes assets such as fixed earth station equipment, antennas, satellite communications equipment, and interface equipment used in satellite communications. Does not include general purpose equipment or equipment used in satellite space segment property	10	7	10
48.37	**TOCSC-Satellite Space Segment Property:** Includes satellites and equipment used for telemetry, tracking, control, and monitoring when used in satellite communications	8	5	8
48.38	**TOCSC-Equipment Installed on Customer's Premises:** Includes assets installed on customer's premises, such as computers, terminal equipment, power generation and distribution systems, private switching center, teleprinters, facsimile equipment, and other associated and related equipment	10	7	10
48.39	**TOCSC-Support and Service Equipment:** Includes assets used to support but not engage in communications. Includes store, warehouse and shop tools, and test and laboratory assets	13.5	7	13.5
	Cable Television (CATV): Includes communications-related assets used to provide cable television community antenna television services. Does not include assets used to provide subscribers with two-way communications services.			
48.41	**CATV-Headend:** Includes assets such as towers, antennas, preamplifiers, converters, modulation equipment, and program non-duplication systems. Does not include headend buildings and program origination assets	11	7	11
48.42	**CATV-Subscriber Connection and Distribution Systems:** Includes assets such as trunk and feeder cable, connecting hardware, amplifiers, power equipment, passive devices, directional taps, pedestals, pressure taps, drop cables, matching transformers, multiple set connector equipment, and converters	10	7	10
48.43	**CATV-Program Origination:** Includes assets such as cameras, film chains, video tape recorders, lighting, and remote location equipment excluding vehicles. Does not include buildings and their structural components	9	5	9
48.44	**CATV-Service and Test:** Includes assets such as oscilloscopes, field strength meters, spectrum analyzers, and cable testing equipment, but does not include vehicles	8.5	5	8.5
48.45	**CATV-Microwave Systems:** Includes assets such as towers, antennas, transmitting and receiving equipment, and broad band microwave assets if used in the provision of cable television services. Does not include assets used in the provision of common carrier services	9.5	5	9.5
	Electric, Gas, Water and Steam, Utility Services: Includes assets used in the production, transmission and distribution of electricity, gas, steam, or water for sale including related land improvements.			
49.11	**Electric Utility Hydraulic Production Plant:** Includes assets used in the hydraulic power production of electricity for sale, including related land improvements, such as dams, flumes, canals, and waterways	50	20	50
49.12	**Electric Utility Nuclear Production Plant:** Includes assets used in the nuclear power production and electricity for sale and related land improvements. Does not include nuclear fuel assemblies	20	15	20
49.121	**Electric Utility Nuclear Fuel Assemblies:** Includes initial core and replacement core nuclear fuel assemblies (i.e., the composite of fabricated nuclear fuel and container) when used in a boiling water, pressurized water, or high temperature gas reactor used in the production of electricity. Does not include nuclear fuel assemblies used in breeder reactors	5	5	5
49.13	**Electric Utility Steam Production Plant:** Includes assets used in the steam power production of electricity for sale, combustion turbines operated in a combined cycle with a conventional steam unit and related land improvements. Also includes package boilers, electric generators and related assets such as electricity and steam distribution systems as used by a waste reduction and resource recovery plant if the steam or electricity is normally for sale to others	28	20	28
49.14	**Electric Utility Transmission and Distribution Plant:** Includes assets used in the transmission and distribution of electricity for sale and related land improvements. Excludes initial clearing and grading land improvements as specified in Rev. Rul. 72-403, 1972-2 C.B. 102	30	20	30
49.15	**Electric Utility Combusion Turbine Production Plant:** Includes assets used in the production of electricity for sale by the use of such prime movers as jet engines, combustion turbines, diesel engines, gasoline engines, and other internal combustion engines, their associated power turbines and/or generators, and related land improvements. Does not include combustion turbines operated in a combined cycle with a conventional steam unit	20	15	20
49.21	**Gas Utility Distribution Facilities:** Includes gas water heaters and gas conversion equipment installed by utility on customers' premises on a rental basis	35	20	35

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
49.221	**Gas Utility Manufactured Gas Production Plants:** Includes assets used in the manufacture of gas having chemical and/or physical properties which do not permit complete interchangeability with domestic natural gas. Does not include gas producing systems and related systems used in waste reduction and resource recovery plants which are elsewhere classified	30	20	30
49.222	**Gas Utility Substitute Natural Gas (SNG) Production Plant (naphtha or lighter hydrocarbon feedstocks):** Includes assets used in the catalytic conversion of feedstocks or naphtha or lighter hydrocarbons to a gaseous fuel which is completely interchangeable with domestic natural gas	14	7	14
49.223	**Substitute Natural Gas-Coal Gasification:** Includes assets used in the manufacture and production of pipeline quality gas from coal using the basic Lurgi process with advanced methanation. Includes all process plant equipment and structures used in this coal gasification process and all utility assets such as cooling systems, water supply and treatment facilities, and assets used in the production and distribution of electricity and steam for use by the taxpayer in a gasification plant and attendant coal mining site processes but not for assets used in the production and distribution of electricity and steam for sale to others. Also includes all other related land improvements. Does not include assets used in the direct mining and treatment of coal prior to the gasification process itself	18	10	18
49.23	**Natural Gas Production Plant**	14	7	14
49.24	**Gas Utility Trunk Pipelines and Related Storage Facilities:** Excluding initial clearing and grading land improvements as specified in Rev. Rul. 72–40	22	15	22
49.25	**Liquefied Natural Gas Plant:** Includes assets used in the liquefaction, storage, and regasification of natural gas including loading and unloading connections, instrumentation equipment and controls, pumps, vaporizers and odorizers, tanks, and related land improvements. Also includes pipeline interconnections with gas transmission lines and distribution systems and marine terminal facilities	22	15	22
49.3	**Water Utilities:** Includes assets used in the gathering, treatment, and commercial distribution of water	50	20	50
49.4	**Central Steam Utility Production and Distribution:** Includes assets used in the production and distribution of steam for sale. Does not include assets used in waste reduction and resource recovery plants which are elsewhere classified	28	20	28
49.5	**Waste Reduction and Resource Recovery Plants:** Includes assets used in the conversion of refuse or other solid waste or biomass to heat or to a solid, liquid, or gaseous fuel. Also includes all process plant equipment and structures at the site used to receive, handle, collect, and process refuse or other solid waste or biomass to a solid, liquid, or gaseous fuel or to handle and burn refuse or other solid waste or biomass in a waterwall combusion system, oil or gas pyrolysis system, or refuse derived fuel system to create hot water, gas, steam and electricity. Includes material recovery and support assets used in refuse or solid refuse or solid waste receiving, collecting, handling, sorting, shredding, classifying, and separation systems. Does not include any package boilers, or electric generators and related assets such as electricity, hot water, steam and manufactured gas production plants classified in classes 00.4, 49.13, 49.221, and 49.4. Does include, however, all other utilities such as water supply and treatment facilities, ash handling and other related land improvements of a waste reduction and resource recovery plant	10	7	10
50.	**Municipal Wastewater Treatment Plant**	24	15	24
51.	**Municipal Sewer**	50	20	50
57.0	**Distributive Trades and Services:** Includes assets used in wholesale and retail trade, and personal and professional services. Includes section 1245 assets used in marketing petroleum and petroleum products	9	5	9*
57.1	**Distributive Trades and Services-Billboard, Service Station Buildings and Petroleum Marketing Land Improvements:** Includes section 1250 assets, including service station buildings and depreciable land improvements, whether section 1245 property or section 1250 property, used in the marketing of petroleum and petroleum products, but not including any of these facilities related to petroleum and natural gas trunk pipelines. Includes car wash buildings and related land improvements. Includes billboards, whether such assets are section 1245 property or section 1250 property. Excludes all other land improvements, buildings and structural components as defined in section 1.48–1(e) of the regulations	20	15	20
79.0	**Recreation:** Includes assets used in the provision of entertainment services on payment of a fee or admission charge, as in the operation of bowling alleys, billard and pool establishments, theaters, concert halls, and miniature golf courses. Does not include amusement and theme parks and assets which consist primarily of specialized land improvements or structures, such as golf courses, sports stadia, race tracks, ski slopes, and buildings which house the assets used in entertainment services	10	7	10

* Any high technology medical equipment as defined in section 168(i)(2)(C) which is described in asset guideline class 57.0 is assigned a 5-year recovery period for the alternate MACRS method.

TABLE OF CLASS LIVES AND RECOVERY PERIODS

Asset class	Description of assets included	Class Life (in years)	Recovery Periods (in years) MACRS	Alternate MACRS
80.0	**Theme and Amusement Parks:** Includes assets used in the provision of rides, attractions, and amusements in activities defined as theme and amusement parks, and includes appurtenances associated with a ride, attraction, amusement or theme setting within the park such as ticket booths, facades, shop interiors, and props, special purpose structures, and buildings other than warehouses, administration buildings, hotels, and motels. Includes all land improvements for or in support of park activities, (e.g., parking lots, sidewalks, waterways, bridges, fences, landscaping, etc.) and support functions (e.g., food and beverage retailing, souvenir vending and other nonlodging accommodations) if owned by the park and provided exclusively for the benefit of park patrons. Theme and amusement parks are defined as combinations of amusements, rides, and attractions which are permanently situated on park land and open to the public for the price of admission. This guideline class is a composite of all assets used in this industry except transportation equipment (general purpose trucks, cars, airplanes, etc., which are included in asset guideline classes with the prefix 00.2), assets used in the provision of administrative services (asset classes with the prefix 00.1), and warehouses, administration buildings, hotels and motels	12.5	7	12.5
	Certain Property for Which Recovery Periods Assigned			
	A. Personal Property With No Class Life		7	12
	Section 1245 Real Property With No Class Life		7	40
	B. Qualified Technological Equipment, as defined in section 168(i)(2).	**	5	5
	C. Property Used in Connection with Research and Experimentation referred to in section 168(e)(3)(B)	**	5	class life if no class life-12
	D. Alternative Energy Property described in sections 48(1)(3)(viii) or (iv), or section 48(1)(4) of the Code	**	5	class life if no class life-12
	E. Biomass property described in section 48(1)(15) and is a qualifying small production facility within the meaning of section 3(17)(c) of the Federal Power Act, (16 U.S.C. 796(17)(C)), as in effect on September 1, 1986	**	5	class life if no class life-12

** The class life (if any) of property described in classes B, C, D, or E is determined by reference to the asset guideline classes. If an item of property described in paragraphs B, C, D, or E is not described in any asset guideline class, such item of property has no class life.

Part III

This part covers the rules you need for property first used before 1987. The accelerated cost recovery system (ACRS) applies to tangible property placed in service after 1980 and before 1987. The rules discussed under *Other Depreciation Methods* apply to property placed in service before 1981 and to property for which neither ACRS nor MACRS can be used. The straight line method applies to intangible property regardless of when it is placed in service. There is a sample filled-in worksheet for the depreciation rules in Part III. The percentage tables at the end of this part apply to ACRS.

If you used listed property (such as cars, other transportation property, and computers placed in service after June 18, 1984) less than 50% for business in 1990, see *Partial Business Use of Listed Property* in Part II.

Any components of a building (plumbing, wiring, storm windows, etc.) placed in service after 1986 are depreciated using MACRS, discussed in Part II. It does not matter if the building is depreciated under ACRS or one of the other methods.

Any additions or improvements placed in service after 1986 are depreciated using MACRS. It does not matter that the underlying property is depreciated under ACRS or one of the other methods.

Accelerated Cost Recovery System (ACRS)

ACRS (accelerated cost recovery system) was mandatory for most tangible depreciable assets placed in service after 1980 and before 1987. You must continue to figure your depreciation under ACRS for assets placed in service after 1980 and before 1987. You must use MACRS, discussed in Part II, for assets placed in service after 1986.

ACRS allows you to recover the unadjusted basis of recovery property over a recovery period. Your property's recovery period is determined by its recovery class. The recovery class of your property is 3–year, 5–year, 10–year, 15–year, 18–year, or 19–year. A recovery percentage for each year of the recovery period is prescribed for figuring your ACRS deduction. Figure your deduction by multiplying your unadjusted basis in the property by the applicable recovery percentage.

You cannot use ACRS for property you placed in service before 1981 or after 1986. Nor can ACRS be used for intangible depreciable property.

Recovery Property Defined

Recovery property under ACRS is tangible depreciable property placed in service after 1980 and before 1987. It generally includes new or used property that you acquired after 1980 and before 1987 for use in your trade or business or for the production of income. Property you acquired and used for any purpose before 1981 is not recovery property.

Unadjusted Basis

Figure your ACRS deduction by multiplying your unadjusted basis in recovery property by its applicable percentage for the year. Unadjusted basis is the same amount you would use to compute a gain on a sale not reduced for any depreciation but reduced by the amount you amortize or elect to deduct under section 179, discussed in Part I. If you buy property, your unadjusted basis is usually its cost minus any amortized amount and any section 179 deduction elected. If you acquire property in some other way, such as by inheriting it, getting it as a gift, or building it yourself, figure your unadjusted basis under other rules. See Publication 551.

Recovery Periods

Each item of recovery property is assigned to a class of property. The classes of recovery property establish the recovery periods over which the unadjusted basis of items in a class is recovered. The classes of property are:

3–year property
5–year property
10–year property
15–year real property
Low-income housing
18–year real property
19–year real property

Classes of Recovery Property

All recovery property was in one of the following classes. The class for your property was determined when you began to depreciate it.

3–year Property

3–year property includes automobiles, light-duty trucks (actual unloaded weight less than 13,000 pounds), and tractor units for use over-the-road. Race horses over 2 years old when placed in service were 3–year property. Any other horses over 12 years old when you placed them in service were also included in the 3–year property class.

The ACRS percentages for 3–year recovery property are:

Recovery Period	Percentage
1st year	25%
2nd year	38%
3rd year	37%

All 3–year recovery property, except certain passenger automobiles, that was depreciated over a 3–year period using the above percentages is fully depreciated. You can claim no depreciation for this property after 1988.

5–year Property

5–year property includes computers, copiers, and equipment, such as office furniture and fixtures, and single purpose agricultural or horticultural structures and petroleum storage facilities (other than buildings and their structural components).

The ACRS percentages for 5–year recovery property are:

Recovery period	Percentage
1st year	15%
2nd year	22%
3rd through 5th year	21%

Example. In May 1986, you traded in a manual typewriter used in your trade or business that had an adjusted basis of $25 for a rebuilt electric typewriter that had a fair market value of $400. You also paid $325 cash for the electric typewriter. This is a nontaxable exchange. Therefore, no gain is recognized on the trade-in. The unadjusted basis (section 179 deduction not elected) of your electric typewriter under ACRS is $350 (the $25 adjusted basis of the manual typewriter plus the $325 cash you paid). Your ACRS deduction for this item of 5–year property in 1986 was 15% of $350 or $52.50. For 1987 your ACRS deduction was 22% of $350 or $77. For 1988, 1989, and 1990, your ACRS deduction is 21% of $350 or $73.50.

Tax year 1990 is the last year you can deduct depreciation for 5–year property using the above percentages.

10–year Property

10–year property includes certain real property such as theme-park structures and certain public utility property. Manufactured homes (including mobile homes) and railroad tank cars are also 10–year property.

A building, and its structural components, was not treated as 10–year property by reason of a change in use after the property was placed in service. For example, a building (15–year real property) that was placed in service in 1981 and was converted to a theme-park structure in 1986 remained 15–year real property.

The ACRS percentages for 10–year recovery property are:

Recovery Period	Percentage
1st year	8%
2nd year	14%
3rd year	12%
4th through 6th year	10%
7th through 10th year	9%

Example. On April 21, 1986, you bought and placed in service a new mobile home for $26,000 to be used as rental property. You paid $10,000 cash and signed a note for $16,000 giving you an unadjusted basis of $26,000. On June 8, 1986, you bought and placed in service a used mobile home for use as rental property at a total cost of $11,500. The total unadjusted basis of your 10–year recovery property placed in service in 1986 was $37,500 ($26,000 + $11,500). Your ACRS deduction was 8% of $37,500, or $3,000. In 1987, your ACRS deduction was 14% of $37,500, or $5,250. In 1988, your ACRS deduction was 12% of $37,500, or $4,500. In 1989 and 1990, your ACRS deduction is 10% of $37,500, or $3,750.

15–year Real Property

15–year real property is real property that is recovery property placed in service before March 16, 1984. It includes all real property, such as buildings, other than that designated as 5–year or 10–year property.

Unlike the 3–, 5–, or 10–year classes of property, the percentages for 15–year real property depend on when you place the property in service during your tax year. You can group 15–year real property by month and year placed in service.

In Table I (at the end of this part) find the month in your tax year that you placed the property in service in a trade or business or for the production of income and use the percentages listed under that month for each year of the recovery period to determine your depreciation deduction each year.

Example. On March 5, 1984, you placed an apartment building in service in your business. It was 15–year real property. After subtracting the value of the land, your unadjusted basis in the building is $250,000. You use the calendar year as your tax year. March is the third month of your tax year. Your ACRS deduction for 1984 was 10% of $250,000, or $25,000. For 1985, the percentage for the third month of the second year of the recovery period is 11%. Therefore, your deduction was 11% of $250,000, or $27,500. For the third, fourth, and fifth years of the recovery period (1986, 1987, and 1988), the percentages are 9%, 8%, and 7%. For 1989 and 1990, the percentage for the third month of the sixth and seventh year is 6%. Therefore, your deduction is 6% of $250,000, or $15,000 each year.

Low-income Housing

Low-income housing that was assigned a 15-year recovery period under ACRS includes the following types of property:

1) Federally assisted housing projects where the mortgage is insured under section 221(d)(3) or 236 of the National Housing Act, or housing financed or assisted by direct loan or tax abatement under similar provisions of state or local laws,
2) Low-income rental housing for which a depreciation deduction for rehabilitation expenditures is allowed,
3) Low-income rental housing held for occupancy by families or individuals eligible to receive subsidies under section 8 of the United States Housing Act of 1937, as amended, or under the provisions of state or local laws that authorize similar subsidies for low-income families, and
4) Housing financed or assisted by direct loan or insured under Title V of the Housing Act of 1949.

The ACRS percentages for low-income housing real property, like the regular 15-year real property percentages, depend on when you first place the property in service. Find the month in your tax year in Table II or III (at the end of this part) that you first placed the property in service as rental housing. Use the percentages listed under that month for each year of the recovery period. Table II shows percentages for low-income housing placed in service before May 9, 1985. Table III shows percentages for low-income housing placed in service after May 8, 1985, and before 1987.

Example. In May 1986, you acquired and placed in service a house that qualified as low-income rental housing under item (3) of the above listing. You use the calendar year as your tax year. You use Table III since the property was placed in service after May 8, 1985. Your unadjusted basis for the property is $59,000, exclusive of land. May is the fifth month of your tax year. Your ACRS deduction for 1986 was 8.9% of $59,000, or $5,251.

For 1987, the percentage for the fifth month of the second year of the recovery period is 12.1%. Therefore, your deduction was 12.1% of $59,000, or $7,139.

For 1988, your deduction was 10.5% of $59,000 or $6,195.

For 1989, your deduction was 9.1% of $59,000, or $5,369.

For 1990, your deduction is 7.9% of $59,000, or $4,661.

18-year Real Property

18-year real property is real property that is recovery property placed in service after March 15, 1984, and before May 9, 1985. It includes all real property, such as buildings, other than that designated as 5-year, 10-year, 15-year real property, or low-income housing.

The ACRS percentages for 18-year real property depend on when you placed the property in service in a trade or business or for the production of income during your tax year. There are tables for 18-year real property at the end of this part. Table IV shows the percentages for 18-year real property placed in service after June 22, 1984 and before May 9, 1985. Table V is for 18-year real property placed in service after March 15, 1984, and before June 23, 1984.

Find the month in your tax year that you first place the property in service in a trade or business or in the production of income. Use the percentages listed under that month for each year of the recovery period.

Example. On April 28, 1985, you bought and placed in service a rental house. The house, exclusive of land, cost $95,000 which is your unadjusted basis for the house. You use the calendar year as your tax year. Since the house was placed in service after June 22, 1984, and before May 9, 1985, it is 18-year real property. Use Table IV to figure your deduction for the house. April is the fourth month of your tax year and the percentage for the fourth month is 7%.

Your 1985 deduction was $6,650 (7% of $95,000).

For 1986, your deduction was $8,550 (9% of $95,000).

For 1987, your deduction was $7,600 (8% of $95,000).

For 1988 and 1989, your deduction each year was $6,650 (7% of $95,000).

For 1990, your deduction is $5,700 (6% of $95,000).

19-year Real Property

19-year real property is real property that is recovery property placed in service after May 8, 1985, and before 1987. It includes all real property, other than that designated as 5-year, 10-year, 15-year, or 18-year real property, or low-income housing.

The ACRS percentages for 19-year real property depend on when you placed the property in service in a trade or business or in the production of income during your tax year. Table VI shows the percentages for 19-year real property.

Find the month in your tax year that you first place the property in service. Use the percentages listed under that month for each year of the recovery period.

Alternate ACRS Method

At your election you could have used a method for recovering the unadjusted basis of your recovery property that used a recovery percentage based on a modified straight line method. This alternate ACRS method generally uses percentages other than those from the tables. If you elected the alternate ACRS method, you used the following schedule for other than 18- and 19-year real property and low-income housing to determine the recovery period you want.

In the case of:	You could have elected a recovery period of:
3-year property	3, 5, or 12 years
5-year property	5, 12, or 25 years
10-year property	10, 25, or 35 years
15-year real property	15, 35, or 45 years

If you used a 3-year recovery period, your property is fully depreciated. You can deduct no more depreciation on the property after 1989.

Percentages. The straight-line percentages are:

Recovery Period	Percentage
5 years	20%
10 years	10%
12 years	8.333%
15 years	6.667%
25 years	4%
35 years	2.857%

The percentage is applied to the unadjusted basis (defined earlier) of the property to figure your ACRS deduction. There are tables for 18- and 19-year real property later in this part. For *15-year real property*, see *15-year real property*, later.

3-, 5-, and 10-year property. If you elected to use an alternate recovery percentage, you have to use the same recovery percentage for all property in that class that you placed in service in that tax year and it applies throughout the recovery period you selected.

Half-year convention. If you elected the alternate method, you only deducted a half-year of depreciation for the year the property was placed in service, regardless of when in the tax year this occurred. For each of the remaining years of the recovery period, you take a full year's deduction. If you hold the property for the entire recovery period, a half-year of depreciation is allowable for the year following the end of your recovery period.

Example. You operate a small upholstery business. On March 19, 1986, you bought and placed in service a $13,000 light-duty panel truck to be used in your business and a $500 electric saw. You elected to use the alternate ACRS method. You did not elect to take a section 179 deduction. You decided to recover the cost of the truck, which is 3-year recovery property, over 5 years. The saw is 5-year property, but you decided to recover its cost over 12 years.

For 1986, your ACRS deduction reflected the half-year convention. In the first year, you deducted half of the amount determined for a full year. Your ACRS deduction for 1986 was as follows:

Light-duty truck	
5 years straight line = 20%	
20% × $13,000 = $2,600	
Half-year convention–½ of $2,600 =	$1,300.00
Electric saw	
12 years straight line = 8.333%	
8.333% × $500 = $41.67	
Half-year convention–½ of $41.67 =	20.84
Total ACRS deduction for 1986	$1,320.84

Your ACRS deduction for these two items in 1990 (which is the same amount determined for 1987, 1988, and 1989) is:

Light-duty truck	
5 years straight line = 20%	
20% × $13,000 =	$2,600.00
Electric saw	
12 years straight line = 8.333%	
8.333% × $500 =	41.67
Total ACRS deduction for 1990	$2,641.67

15-year real property. Under ACRS, you could elect to use the alternate ACRS method for 15-year real property instead of the regular percentages provided in Table I. The alternate ACRS method allowed you to depreciate your 15-year real property using the straight line ACRS method over the alternate recovery periods of 15, 35, or 45 years. If you selected a 15-year recovery period, you used the percentage (6.667%) from the schedule above prorated for the number of months the property was in service in the first year. If you selected a 35- or 45-year recovery period, you used either Table XI or XV.

Alternate periods for 18-year real property. For 18-year real property, the alternate recovery periods are 18, 35, or 45 years. The percentages for 18-year real property under the alternate method are in Tables VII, VIII, X, XI, XIV and XV near the end of this part. There are two tables for each alternate recovery period. One table shows the percentage for property placed in service after June 22, 1984. The other table has the percentages for property placed in service after March 15, 1984, and before June 23, 1984.

Alternate periods for 19-year real property. For 19-year real property, the alternate recovery periods are 19, 35, or 45 years. If you selected a 19-year recovery period, use Table IX to determine your deduction. If you select a 35- or 45-year recovery period, use either Table XIII or XIV.

Example. You placed in service an apartment building on August 3, 1986. The building is 19-year real property. The sales contract allocated $300,000 to the building and $100,000 to the land. You use the calendar year as your tax year. You used the alternate ACRS method over a

recovery period of 35 years. For 1986, your ACRS deduction was figured using Table XIII. August is the eighth month of your tax year. The percentage from Table XIII for the eighth month is 1.1%. Your deduction was $3,300 (1.1% of $300,000). Your deduction in 1987, 1988, and 1989 was $8,700, or 2.9% (from Table XIII for the second and third year) of $300,000. Your deduction in 1990 is also $8,700, or 2.9% of $300,000.

Alternate periods for low-income housing. For low-income housing, the alternate recovery periods are 15, 35, or 45 years. If you selected a 15–year period for this property, use 6.667% as the percentage. If you selected a 35– or 45–year period, use either Table XI, XII, or XV.

Election. The election to use the alternate ACRS method had to be made by the due date (including extensions) of the income tax return for the tax year in which the property was placed in service in a depreciable use.

Revocation of election. Your election to use an alternate ACRS method, once made, can be changed only with the consent of the Commissioner. Consent will be granted only in extraordinary circumstances. Any request for a revocation will be considered a request for a ruling that must satisfy the procedures of Revenue Procedure 90-1, 1990-1 CB 356.

Transfers of Recovery Property

The transferee (the person who receives the property) is treated as the transferor (the person who transfers the property) to the extent of the carried-over basis in the transferred recovery property. This means the transferee must use the same recovery period and method as the transferor to figure the ACRS deduction for that part of the basis. If the transferor elected to use the alternate ACRS method, the transferee is treated as having made the same election. To the extent that the transferee's basis exceeds the carried over basis of the transferor, the transferee can use either the regular or alternate ACRS method.

This treatment applies to the nontaxable transfers of recovery property in any of the following ways:

1) A corporation distributes recovery property in complete liquidation to another corporation.
2) The transfer of recovery property to a controlled corporation.
3) A reorganization in which one corporation exchanges recovery property solely for stock or securities of another corporation that is a party to the reorganization.
4) The transfer by a corporation of recovery property as a result of receivership or bankruptcy proceedings.
5) The contribution of recovery property to a partnership in exchange for a partnership interest.
6) The distribution by a partnership of recovery property to a partner except for a termination of the partnership if within a 12–month period there is a sale or exchange of 50% or more of the total interest in partnership capital and profits.

ACRS Deduction in Short Tax Year

For a tax year that is less than 12 months, the ACRS deduction is prorated on a 12-month basis. Figure the amount of the ACRS deduction for a short tax year by multiplying the ACRS deduction determined for a full tax year (unadjusted basis × recovery percentage) by a fraction. The numerator (top number) of the fraction is the number of months in the short tax year and the denominator (bottom number) is 12. For example, a corporation placed in service in June 1986 an item of 3–year property with an unadjusted basis of $10,000. The corporation files a tax return, because of a change in its accounting period, for the 6–month short tax year ending June 30, 1986. The full year's ACRS deduction for this item is 25% of $10,000 (first year percentage from the 3–year table), or $2,500. The ACRS deduction for the short tax year is $1,250 ($2,500 × 6/12).

Under proposed regulations, the full ACRS percentages are used during the remaining years of the recovery period. For the first tax year after the recovery period, the unrecovered basis will be deductible.

Exception. For the tax year in which 15–, 18–, or 19–year real property is placed in service or disposed of, compute the ACRS deduction for the number of months (using either a full-month or mid-month convention) the property is in service during the tax year. This is true regardless of the number of months in the tax year and the recovery period and method used.

Dispositions

A disposition is the permanent withdrawal of property from use in your trade or business or in the production of income. A withdrawal can be made by sale, exchange, retirement, abandonment, or destruction.

You generally recognize gain or loss on the disposition of an asset by sale. Nonrecognition rules can, however, allow you to postpone some gain. See Publication 544.

If you physically abandon property, you can deduct as a loss the adjusted basis of the asset at the time of its abandonment. Your intent must be to discard the asset so that you will not use it again or retrieve it for sale, exchange, or other disposition.

Early dispositions. If you dispose of your asset before the end of its specified recovery period, it is referred to as an early disposition. When an early disposition occurs, the depreciation deduction in the year of disposition depends on the class of property involved.

Early dispositions of ACRS property other than 15–, 18–, or 19–year real property. Generally, you get no ACRS deduction for the tax year in which you dispose of or retire recovery property, except for 15–, 18–, and 19–year real property. This means there is no ACRS deduction in the year you dispose of or retire any of your 3–, 5–, or 10–year recovery property.

Dispositions—mass asset accounts. A special rule is provided to avoid the calculation of gain on the disposition of assets from mass asset accounts. A mass asset account includes items usually minor in value in relation to the group, numerous in quantity, impractical to separately identify, and not usually accounted for on a separate basis, but on a total dollar value. Examples of mass assets include minor items of office, plant, and store furniture and fixtures.

Under the special rule, if you elect to use a mass asset account, you recognize gain to the extent of the proceeds from the disposition of the asset. The unadjusted basis of the property is then left in the account until recovered in future years. If you do this, include the total proceeds realized from the disposition in income on the tax return for the year of disposition.

Early dispositions—15–year real property. If you dispose of 15–year real property, your ACRS deduction for the year of disposition is based on the number of months in use. A ***full-month convention*** is used. For a disposition at any time during a particular month before the end of the recovery period, no deduction is allowed for the month of disposition. This is the case whether you use the regular ACRS method or elect the alternate ACRS method.

Example. You purchased and placed in service a rental house on March 2, 1984, for $98,000 (not including cost of land). You file your return based on a calendar year. Your ACRS deduction for 1984 was 10% (percentage for third month from Table I) of $98,000, or $9,800. In 1985 through 1989 your ACRS deductions were 11%, 9%, 8%, 7%, and 6% (third month percentages for the second through sixth years of service) of $98,000. You sell the house on June 1, 1990. Your ACRS deduction for 1990 is figured for the full year and that amount is prorated for the months of use. The full ACRS deduction for 1990 is 6% (third month percentage for the seventh year of service) of $98,000, or $5,880. This amount is then prorated to the 5 months in 1990 that it was rented. Your ACRS deduction for 1990 is $2,450 ($5,880 × 5/12).

Early dispositions—18– and 19–year real property. If you dispose of 18– or 19–year real property, your ACRS deduction for the year of disposition is based on the number of months in use. For 18–year property placed in service before June 23, 1984, use a full-month convention on a disposition. For 18–year property placed in service after June 22, 1984, and for 19–year property, determine the number of months in use by using the mid-month convention. Under the ***mid-month convention,*** treat real property disposed of any time during a month as disposed of in the middle of that month. Count the month of disposition as half a month of use.

Example. You purchased and placed in service a rental house on July 2, 1984, for $100,000 (not including the cost of land). You file your return based on a calendar year. Your ACRS deduction for 1984 was $4,000 which is 4% (percentage for the seventh month from Table IV) of $100,000. In 1985 through 1989, your ACRS deductions were 9%, 8%, 8%, 7%, and 6% (seventh month percentages for the second through sixth years of service) of $100,000. You sell the house on September 25, 1990. Figure your ACRS deduction for 1990 for the months of use. The full ACRS deduction for 1990 is 6% (seventh month percentage for the seventh year) of $100,000, or $6,000. Prorate this amount for the 8.5 months in 1990 that you held the property. Under the mid-month convention, September is counted as half a month. Your ACRS deduction for 1990 is $4,250 ($6,000 × 8.5/12).

Depreciation Recapture

If you dispose of property depreciated under ACRS that is section 1245 recovery property, you will generally recognize gain or loss. Gain recognized on a disposition is ordinary income to the extent of prior depreciation deductions taken. This recapture rule applies to all personal property in the 3–year, 5–year, and 10–year classes. Gain is recaptured on manufactured homes and theme park structures in the 10–year class as section 1245 property. Section 1245 property generally includes all personal property. See *Section 1245 property* in Chapter 4 of Publication 544 for more information.

If you dispose of section 1250 real property at a gain, treat this property as section 1245 recovery property and recognize gain as ordinary income to the extent of prior depreciation deductions taken. Section 1250 property includes most real property. See *Section 1250 property* in Chapter 4 of Publication 544 for more information. This rule applies to all section 1250 real property except:

1) 15–, 18–, or 19–year real property that is residential rental property, and
2) 15–, 18–, or 19–year real property for which you elected to depreciate using the alternate ACRS method, and

3) 15–, 18–, or 19–year real property that is subsidized low-income housing.

For these recapture rules, the section 179 deduction and 50% of the investment credit which reduced your basis are treated as depreciation.

See Publication 544 for further discussion of dispositions of section 1245 and 1250 property.

Other Depreciation Methods

If you placed your property in service before 1981, you must continue to use the methods discussed in this section to depreciate that property. You cannot use these methods for property that qualifies for ACRS or MACRS. The straight line method is used for all intangible property.

In this section, two common methods are discussed: (1) straight line and (2) declining balance.

Figuring Depreciation

To figure depreciation using these methods, you must generally determine three things about the property you intend to depreciate. They are its:

1) Basis,
2) Useful life, and
3) Estimated salvage value at the end of its useful life.

The amount of the deduction in any year also depends on which method of depreciation you choose.

Basis

To deduct the proper amount of depreciation each year, first determine your basis in the property you intend to depreciate. The basis used for figuring depreciation is the same as the basis that would be used for figuring the gain on a sale. Your original basis is usually the purchase price. However, if you acquire property in some other way, such as inheriting it, getting it as a gift, or building it yourself, you have to figure your original basis in a different way.

Adjusted basis. Events will often change the basis of property. This changed basis is called your adjusted basis. Some events, such as improvements you make, increase basis. Events such as deductible casualty losses and depreciation decrease basis. If basis is adjusted, the depreciation deduction may also have to be changed, depending on the reason for the adjustment and the method of depreciation you are using.

Note: Any improvements placed in service after 1986 are depreciated under MACRS, discussed in Part II.

Publication 551 explains how to figure basis for property acquired in different ways, what increases and decreases basis, how to figure adjusted basis, and how to allocate cost if you buy several pieces of depreciable and nondepreciable property at one time.

Useful Life

The useful life of a piece of property is an estimate of how long you can expect to use it in your trade or business, or to produce income for you. It is the length of time over which you will make yearly depreciation deductions from your basis in the property. It is not how long the property will last but how long it will continue to be useful to you.

Many things affect the useful life of property, such as:

1) Frequency of use,
2) Age when acquired,
3) Your repair policy, and
4) Environmental conditions.

The useful life can also be affected by technological improvements, progress in the arts, reasonably foreseeable economic changes, shifting of business centers, prohibitory laws, and other causes. Consider all these factors before you arrive at a useful life for your property.

The useful life of the same type of property varies from user to user. When you determine the useful life of your property, keep in mind your own experience with similar property. You can use the general experience of the industry you are in until you are able to determine useful life of your property from your own experience.

Change in useful life. Your estimate of useful life is based on certain facts. If they change significantly, you can adjust your estimate of the remaining useful life. Only redetermine the estimated useful life when the change is substantial and there is clear reason for making the change.

Salvage Value

It is important for you to accurately determine the correct salvage value of the property you want to depreciate. You generally cannot depreciate property below a reasonable salvage value.

Determining salvage value. Salvage value is the estimated value of property at the end of its useful life. It is what you expect to get for the property if you sell it after you can no longer use it productively. You must estimate the salvage value of a piece of property when you first acquire it.

Salvage value is affected both by how you use the property and how long you use it. If it is your policy to dispose of property that is still in good operating condition, the salvage value can be relatively large. However, if your policy is to use property until it is no longer usable, its salvage value can be its junk value.

Changing salvage value. Once you determine the salvage value for property, you should not change it merely because prices have changed. However, if you redetermine the useful life of property, as discussed earlier under *Change in useful life*, you can also redetermine the salvage value, taking into account the facts that exist at the time.

Net salvage. Net salvage is the salvage value of property minus what it costs to remove it when you dispose of it. You can choose either salvage value or net salvage when you figure depreciation. You must consistently use the one you choose and the costs to remove must be consistent with the practice adopted. However, if the cost to remove the property is more than the estimated salvage value, then net salvage is zero. Your salvage value can never be less than zero.

Ten percent rule. If you acquire personal property that has a useful life of 3 years or more, you can use a figure for salvage value that is less than your actual estimate. You can subtract from your estimate of salvage value an amount equal to 10% of your basis in the property. If salvage value is less than 10% of basis, you can ignore salvage value when you figure depreciation.

Two Basic Methods

Two basic methods of depreciation are the straight line and declining balance methods. If ACRS or MACRS does not apply, you can use one of these methods.

Straight Line Method

You can use this method for every kind of depreciable property. You use this method for intangible property. It lets you deduct the same amount of depreciation each year.

To figure your deduction, first determine your property's adjusted basis, salvage value, and estimated useful life. Subtract the salvage value, if any, from the adjusted basis. The balance is the total amount of depreciation you can take over the useful life of the property.

Divide the balance by the number of years remaining in the useful life. This gives you the amount of your yearly depreciation deduction. Unless there is a big change in adjusted basis, or useful life, this amount will stay the same throughout the time you depreciate the property. If in the first year, you use the property for less than a full year, your depreciation deduction must be prorated for the number of months in use.

Example. In April 1990, Frank bought a franchise for $5,600. It expires in 10 years. He depreciates the franchise under the straight line method, using a 10–year useful life, and no salvage value. He takes the $5,600 basis and divides that amount by 10 years ($5,600 ÷ 10 = $560, a full year's use). Frank must prorate the $560 for his 9 months of use in 1990. This gives him a deduction of $420 ($560 × 9/12). In 1991, Frank can deduct $560 for the full year.

Declining Balance Method

For certain types of property, the declining balance method allows you to use a speeded-up rate of depreciation. The rate can be one and one-half times or one and one-quarter times the straight line rate. These rates, and the types of property they can be used for, are explained later.

Rate of depreciation. Under this method, first determine your rate of depreciation. The initial step is to divide the number 1 by the property's useful life. For example, if property has a useful life of 5 years, its normal straight line rate of depreciation is ⅕, or 20%. This straight line rate must then be multiplied by 1.5 or 1.25 (depending on the kind of property you are depreciating) to determine the declining balance rate. Unless there is a change in useful life during the time you depreciate the property, the rate of depreciation generally will not change.

Depreciation deductions. After you determine the rate of depreciation, multiply the adjusted basis of the property by it. This gives you the amount of your deduction. For example, if your adjusted basis at the beginning of the first year is $10,000, and your declining balance rate is 20%, your depreciation deduction for the first year is $2,000 ($10,000 × 20%). To figure your depreciation deduction in the second year, first adjust your basis for the amount of depreciation you deducted in the first year. Subtract the previous year's depreciation from your basis ($10,000 − $2,000 = $8,000). Multiply this amount by the rate of depreciation ($8,000 × 20% = $1,600). Your depreciation deduction for the second year is $1,600.

As you can see from this example, the balance (your adjusted basis in the property) gets smaller each year. Also, under this method, deductions are larger in the earlier years and smaller in the later years. A change to the straight line method is allowed without consent.

Salvage value. Do not subtract salvage value when you figure your yearly depreciation deductions under the declining balance method. You cannot depreciate the property below its reasonable salvage value. Determine salvage value using the rules discussed earlier, including the special 10% rule.

Example. If your adjusted basis is down to $1,000 and the rate of depreciation is 20%, your depreciation deduction should be $200. But if your estimate of salvage value was $900, you can only deduct $100 since that is the amount that would lower your adjusted basis to equal salvage value.

One and one-half times the straight line rate. Under the declining balance method, you can use a rate of depreciation equal to 150% of the straight line rate for certain types of property. To use this rate, the property must be used tangible

personal property (used section 1245 property other than MACRS or ACRS property) with a useful life of 3 years or more.

One and one-fourth times the straight line rate. Under the declining balance method, you can use a rate of depreciation of 125% of the straight line rate for certain used residential rental property. To qualify, the property must have a useful life of 20 years or more. For used residential rental property acquired after 1980 and before 1987, it must be property that is not ACRS property. If acquired after 1986, it must be depreciated under MACRS.

For more information on residential property placed in service before 1981, see section 167(j) of the Internal Revenue Code and section 1.167(j) of the Income Tax Regulations.

Changing Methods

If you change your method of depreciation, it is generally a change in your method of accounting. You must get IRS consent for the change. However, you do not need permission for certain changes of method of depreciation. The rules discussed in this section do not apply to ACRS or MACRS.

The various elections made under MACRS, once made, cannot be changed. For information on ACRS elections, see *Revocation of election*, earlier under *Alternate ACRS Method*.

Change to the straight line method. You can change from the declining balance method to the straight line method at any time during the useful life of your property without IRS consent. However, if you have a written agreement with the IRS which prohibits a change, first get permission. When the change is made, figure depreciation using your adjusted basis in the property at the time. Your adjusted basis takes into account all previous depreciation deductions. Use the property's estimated remaining useful life at the time of change and its estimated salvage value.

You can only change from the declining balance method to the straight line method on the original tax return for the year you first use the straight line method. You cannot make the change on an amended return filed after the due date of the original return, including extensions.

When you make the change, attach a statement to your tax return showing:

1) When you acquired the property,
2) Its original cost or other original basis,
3) The total amount claimed for depreciation and other allowances since you acquired it,
4) Its salvage value and its remaining useful life, and
5) A description of the property and its use.

After you change to the straight line method, you cannot change back to the declining balance or to any other method of depreciation for a period of 10 years without written permission from the IRS.

Changes that require permission. For most other changes in method of depreciation, you must get permission from the IRS. To request a change in method of depreciation, file Form 3115, *Application for Change in Accounting Method*. File the application within the first 180 days of the tax year the change is to become effective.

Changes granted automatically. Certain changes in method of depreciation are automatically approved. However, you must file Form 3115 for these automatic changes.

Permission can be denied if Form 3115 is not filed on time. For more information on automatic changes, see Revenue Procedure 74-11, 1974-1 C.B. 420.

Changes for which approval is not automatic. The automatic change procedures do not apply to:

1) Property or an account where a change in depreciation was already made within the last 10 tax years (unless the change was made under the Class Life System).
2) The Class Life Asset Depreciation Range System.
3) Public utility property.

You must request and receive permission for these changes. To make the request, file Form 3115 during the first 180 days of the tax year for which you want the change to be effective.

Change from an improper method. If the IRS disallows the method you are using, you do not need permission to change to a proper method. You can adopt the straight line method, or any other method that would have been permitted if you had used it from the beginning. Moreover, if you file your tax return using an improper method, but later file an amended return before the filing date for the next tax year, you can use a proper method on the amended return without getting permission from IRS.

Retirement of Certain Property

Retirement is the permanent withdrawal of depreciable property from use in your trade or business or in the production of income. You can do this by selling, exchanging, or abandoning the asset. You can also withdraw the asset from use without disposing of it. For example, you could place it in a supplies or scrap account. Retirements can be either normal or abnormal depending on all facts and circumstances. The rules discussed next do not apply to MACRS and ACRS property.

Normal retirement. A normal retirement is a permanent withdrawal of depreciable property from use if it is made within the useful life you estimated originally and if the property has reached a condition at which you customarily retire or would retire similar assets from use. A retirement is generally considered normal unless you can show that you retired the asset because of a reason you did not consider when you originally estimated the asset's useful life.

Abnormal retirement. A retirement can be abnormal if you withdraw the asset early or under other circumstances. For example, the asset is damaged by a fire or suddenly becomes obsolete and is now useless.

Gain or loss on retirement. There are special rules for figuring the gain or loss on retirement of assets. The gain or loss will depend on several factors. These include the type of withdrawal, if the withdrawal was from a single asset or multiple asset account, and if the retirement was normal or abnormal. A single asset account contains only one item of property. A multiple asset account is one in which several items have been combined with a single rate of depreciation assigned to the entire account.

Sale or exchange. If an asset is retired by sale or exchange, gain or loss is figured by the usual rules that apply to sales or other dispositions of assets. See Publication 544.

Asset not disposed of or abandoned. If an asset is retired permanently, but not disposed of or physically abandoned, no gain is recognized. A loss can be allowed in such a case, but only if the retirement is:

1) An abnormal retirement,
2) A normal retirement from a single asset account in which the life of each asset is determined separately, or
3) A normal retirement from a multiple asset account in which the depreciation rate is based on the maximum expected life of the longest lived asset and the loss occurs before the expiration of the full useful life. However, no loss is allowed if the depreciation rate is based on the average useful life of the assets in the account.

To figure your loss, subtract the asset's estimated salvage or fair market value at the date of retirement, whichever is more, from its adjusted basis.

Special rule for normal retirements from item accounts. If you have a few depreciable assets with similar useful lives, account for each one in a separate account, and use the average useful life to figure depreciation, you can generally deduct losses upon retirement of those assets. However, you cannot deduct losses if you use the average useful life to figure depreciation and they have a wide range of useful lives.

If you have a large number of depreciable assets and use average useful lives to figure depreciation, you cannot deduct the losses upon normal retirements from these accounts.

Abandoned property. If you physically abandon property, you can deduct as a loss the adjusted basis of the asset at the time of its abandonment. Your intent must be to discard the asset so that you will not use it again or retrieve it for sale, exchange, or other disposition.

Basis of assets retired. The basis for figuring gain or loss on the retirement of an asset is its adjusted basis at the time of retirement, as determined in the following discussions.

Single item accounts. If an asset is accounted for in a single item account, the adjusted basis is the same basis that would be used to figure gain or loss for a sale or exchange of the asset. This is generally the cost or other basis of the asset less depreciation. Publication 551 discusses adjusted basis in detail.

Multiple asset accounts. For a normal retirement from a multiple asset account, if depreciation was figured using the average expected useful life, the adjusted basis is the salvage value estimated for the asset when it was originally acquired. If depreciation was figured using the maximum expected useful life of the longest lived asset in the account, you must use the method of depreciation used for the multiple asset account and a rate based on the maximum expected useful life of the asset retired.

The adjustment for depreciation for an abnormal retirement from a multiple asset account is made at the rate which would have been proper if the asset had been depreciated in a single asset account. The method of depreciation used for the multiple asset account is used. The rate is based on either the average expected useful life or the maximum expected useful life of the retired asset, depending on the method used to determine the rate of depreciation for the multiple asset account.

Example–Filled-in Worksheet

Susan Planet operates a craft shop. She reports her business income and expenses on Schedule C (Form 1040). She files her tax return based on a calendar year. She began business in 1979 in a building she owns. She also placed in service in 1979 work tables and chairs, a cash register, and equipment.

The *Depreciation Worksheet* shows the information Susan needs to figure each asset's depreciation and the depreciation for 1990. The information in the worksheet is supported by her books and records. She has an account for each

sset that shows the date of acquisition, a escription of the property, the cost or other basis f the property, salvage value (if applicable), the nvestment credit (for tax years before 1986) laimed on the property, the adjustment to basis or the credit, the first year depreciation deduction for tax years before 1981), the section 179 eduction claimed, the depreciation method used, he property class, the recovery period or useful fe, and the depreciation deducted each year. For nformation on business recordkeeping, see ublication 583. Susan uses all of her business roperty 100% for business purposes.

Referring to the *Depreciation Worksheet*, the uilding (line 1) is depreciated using the straight he method with a useful life of 30 years. Susan as another worksheet with the information for 979 through 1987.

Susan uses the straight line method for the ork tables and chairs (line 2). She placed them in service in 1979 with a useful life of 15 years. She did not decrease her basis by salvage value because it was under 10% of the basis.

Susan uses the straight line method for the cash register (line 3). She placed it in service in 1979 with a useful life of 20 years. She did not decrease her basis by salvage value because it was under 10% of the basis.

Susan uses the straight line method for the equipment (line 4). She placed it in service in 1979 with a useful life of 10 years. She decreased her basis by salvage value of $500. Her depreciable basis is $3,000. Tax year 1988 was the last year of depreciation for this equipment.

Susan bought a kiln (line 5) in 1984 for $3,000. It is 5–year property under ACRS. Tax year 1988 was the last year of depreciation for it.

Susan bought the desk (line 6) in 1986 for $900. It is 5–year property under ACRS. The 5th year percent for 5–year property is 21%. Tax year 1990 is the last year of depreciation for it.

The building (line 7) that Susan had constructed and placed in service in May 1986 is 19–year real property under ACRS. The ACRS deduction is figured by applying the percentages from Table VI. The percent for the 5th year and 5th month of the her tax year is 6.5%.

Susan recovered her total cost for the saw, kiln, and typewriter (lines 8, 9, and 10) by claiming a section 179 deduction in 1988 and 1989.

Susan placed no property in service in 1990. She does not have to file Form 4562 because she has no listed property and she is not taking depreciation for property placed in service in 1990. She reports her total depreciation deduction ($5,105.67) on line 13 of Schedule C (Form 1040).

Depreciation

Line	Description of Property	Date Placed in Service	Cost or Other Basis	Business Use Percent	Section 179 Deduction	Basis for Depreciation	Method	Recovery Period or Useful Life	Table
1	BUILDING	1979	65,000	100%	—	45,499.99	SL	30 yr	—
2	WORKTABLE & CHAIRS	1979	1,500	100%	—	600.-	SL	15 YR	—
3	CASH REGISTER	1979	1,000	100%	—	550.-	SL	20 yr	—
4	EQUIPMENT	1979	3,500	100%	—	300.-	SL	10 yr	—
5	KILN #1	1984	3,000	100%	—	3,000.-	ACRS	5 YR	—
6	DESK	1986	900	100%	—	900.-	ACRS	5 YR	—
7	BUILDING	5-86	40,000	100%	—	40,000.-	ACRS	19 yr	VI
8	TABLE SAW	1988	2,000	100%	2,000	-0-			
9	KILN #2	1988	1,750	100%	1,750	-0-			
	TOTAL 1988				3,750				
10	TYPEWRITER	1989	600	100%	600	-0-			
	TOTAL 1989				600				
	TOTAL 1990				-0-				

Worksheet

19 88		19 89			Depreciation Prior Years	19 90		
Rate or Table %	Depreciation Deduction	Basis for Depreciation	Rate or Table %	Depreciation Deduction		Basis for Depreciation	Rate or Table %	Depreciation Deduction
—	2,166.67	43,333.30	—	2,166.67	23,833.37	41,166.63	—	2,166.67
—	100.—	500.—	—	100.—	1,100.—	400.—	—	100.—
—	50.—	500.—	—	50.—	550.—	450.—	—	50.—
—	300.—	—0—						
21%	630.—	—0—						
21%	189.—	900.—	21%	189.—	711.—	900.—	21%	189.—
7.9%	3,160.—	40,000.—	7.1%	2,840.—	11,800.—	40,000.—	6.5%	2,600.—
	6,595.67							
				5,345.67				
								5,105.67

ACRS PERCENTAGE TABLES

Table I

15-year Real Property (other than low-income housing)
(Placed in service after 1980 and before March 16, 1984)

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	12%	11%	10%	9%	8%	7%	6%	5%	4%	3%	2%	1%
2d	10%	10%	11%	11%	11%	11%	11%	11%	11%	11%	11%	12%
3d	9%	9%	9%	9%	10%	10%	10%	10%	10%	10%	10%	10%
4th	8%	8%	8%	8%	8%	8%	9%	9%	9%	9%	9%	9%
5th	7%	7%	7%	7%	7%	7%	8%	8%	8%	8%	8%	8%
6th	6%	6%	6%	6%	7%	7%	7%	7%	7%	7%	7%	7%
7th	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
8th	6%	6%	6%	6%	6%	6%	5%	6%	6%	6%	6%	6%
9th	6%	6%	6%	6%	5%	6%	5%	5%	5%	6%	6%	6%
10th	5%	6%	5%	6%	5%	5%	5%	5%	5%	5%	6%	5%
11th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
12th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
13th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
14th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
15th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
16th	—	—	1%	1%	2%	2%	3%	3%	4%	4%	4%	5%

Table II

Low-Income Housing
(Placed in service after 1980 and before May 9, 1985)

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	13%	12%	11%	10%	9%	8%	7%	6%	4%	3%	2%	1%
2d	12%	12%	12%	12%	12%	12%	12%	13%	13%	13%	13%	13%
3d	10%	10%	10%	10%	11%	11%	11%	11%	11%	11%	11%	11%
4th	9%	9%	9%	9%	9%	9%	9%	9%	10%	10%	10%	10%
5th	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	8%	9%
6th	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
7th	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
8th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	6%	6%
9th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
10th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
11th	4%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
12th	4%	4%	4%	5%	4%	5%	5%	5%	5%	5%	5%	5%
13th	4%	4%	4%	4%	4%	4%	5%	4%	5%	5%	5%	5%
14th	4%	4%	4%	4%	4%	4%	4%	4%	4%	5%	4%	4%
15th	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
16th	—	—	1%	1%	2%	2%	2%	3%	3%	3%	4%	4%

Table III

Low-Income Housing
(Placed in service after May 8, 1985, and before 1987)

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	13.3%	12.2%	11.1%	10%	8.9%	7.8%	6.6%	5.6%	4.4%	3.3%	2.2%	1.1%
2d	11.6%	11.7%	11.9%	12%	12.1%	12.3%	12.5%	12.6%	12.7%	12.9%	13%	13.2%
3d	10%	10.1%	10.2%	10.4%	10.5%	10.7%	10.8%	10.9%	11.1%	11.2%	11.3%	11.4%
4th	8.7%	8.8%	8.9%	9%	9.1%	9.2%	9.3%	9.5%	9.6%	9.7%	9.8%	9.9%
5th	7.5%	7.6%	7.7%	7.8%	7.9%	8%	8.1%	8.2%	8.3%	8.4%	8.5%	8.6%
6th	6.5%	6.6%	6.7%	6.8%	6.9%	6.9%	7%	7.1%	7.2%	7.3%	7.4%	7.4%
7th	5.7%	5.7%	5.8%	5.9%	5.9%	6%	6.1%	6.1%	6.2%	6.3%	6.4%	6.5%
8th	4.9%	5%	5%	5.1%	5.2%	5.2%	5.3%	5.3%	5.4%	5.5%	5.5%	5.6%
9th	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.7%	4.8%	4.8%
10th	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
11th	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
12th	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%	4.6%
13th	4.5%	4.5%	4.6%	4.5%	4.6%	4.6%	4.6%	4.6%	4.6%	4.5%	4.6%	4.6%
14th	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.6%	4.6%	4.5%	4.5%	4.5%
15th	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
16th		0.4%	0.7%	1.1%	1.5%	1.9%	2.3%	2.6%	3%	3.4%	3.7%	4.1%

ACRS PERCENTAGE TABLES

Table IV

18-year Real Property
(Placed in service after June 22, 1984, and before May 9, 1985)

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	9%	9%	8%	7%	6%	5%	4%	4%	3%	2%	1%	0.4%
2nd	9%	9%	9%	9%	9%	9%	9%	9%	9%	10%	10%	10%
3rd	8%	8%	8%	8%	8%	8%	8%	8%	9%	9%	9%	9%
4th	7%	7%	7%	7%	7%	8%	8%	8%	8%	8%	8%	8%
5th	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
6th	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
7th	5%	5%	5%	5%	6%	6%	6%	6%	6%	6%	6%	6%
8-12th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
13th	4%	4%	4%	5%	4%	4%	5%	4%	4%	4%	5%	5%
14-17th	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
18th	4%	3%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
19th		1%	1%	1%	2%	2%	2%	3%	3%	3%	3%	3.6%

Table V

18-year Real Property
(placed in service after March 15 and before June 23, 1984)

Year	Month Placed in Service										
	1	2	3	4	5	6	7	8	9	10-11	12
1st	10%	9%	8%	7%	6%	6%	5%	4%	3%	2%	1%
2nd	9%	9%	9%	9%	9%	9%	9%	9%	9%	10%	10%
3rd	8%	8%	8%	8%	8%	8%	8%	8%	9%	9%	9%
4th	7%	7%	7%	7%	7%	7%	8%	8%	8%	8%	8%
5th	6%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%
6th	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%
7th	5%	5%	5%	5%	6%	6%	6%	6%	6%	6%	6%
8-12th	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%
13th	4%	4%	4%	5%	5%	4%	4%	5%	4%	4%	4%
14-18th	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%	4%
19th			1%	1%	1%	2%	2%	2%	3%	3%	4%

Table VI

19-year Real Property
(Placed in service after May 8, 1985, and before 1987)

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	8.8%	8.1%	7.3%	6.5%	5.8%	5.0%	4.2%	3.5%	2.7%	1.9%	1.1%	0.4%
2nd	8.4%	8.5%	8.5%	8.6%	8.7%	8.8%	8.8%	8.9%	9.0%	9.0%	9.1%	9.2%
3rd	7.6%	7.7%	7.7%	7.8%	7.9%	7.9%	8.0%	8.1%	8.1%	8.2%	8.3%	8.3%
4th	6.9%	7.0%	7.0%	7.1%	7.1%	7.2%	7.3%	7.3%	7.4%	7.4%	7.5%	7.6%
5th	6.3%	6.3%	6.4%	6.4%	6.5%	6.5%	6.6%	6.6%	6.7%	6.8%	6.8%	6.9%
6th	5.7%	5.7%	5.8%	5.9%	5.9%	5.9%	6.0%	6.0%	6.1%	6.1%	6.2%	6.2%
7th	5.2%	5.2%	5.3%	5.3%	5.3%	5.4%	5.4%	5.5%	5.5%	5.6%	5.6%	5.6%
8th	4.7%	4.7%	4.8%	4.8%	4.8%	4.9%	4.9%	5.0%	5.0%	5.1%	5.1%	5.1%
9th	4.2%	4.3%	4.3%	4.4%	4.4%	4.5%	4.5%	4.5%	4.5%	4.6%	4.6%	4.7%
10-19th	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
20th	0.2%	0.5%	0.9%	1.2%	1.6%	1.9%	2.3%	2.6%	3.0%	3.3%	3.7%	4.0%

Table VII

18-year Real Property
(placed in service after June 22, 1984)
For Which Alternate ACRS Method Over an
18-Year Periods is Elected

Year	Month Placed in Service					
	1-2	3-4	5-7	8-9	10-11	12
1st	5%	4%	3%	2%	1%	0.2%
2-10th	6%	6%	6%	6%	6%	6%
11th	5%	5%	5%	5%	5%	5.8%
12-18th	5%	5%	5%	5%	5%	5%
19th	1%	2%	3%	4%	5%	5%

ACRS PERCENTAGE TABLES

Table VIII

18-year Real Property
(placed in service after March 15 and before June 23, 1984)
For Which Alternate ACRS Method Over an
18-year Period is Elected

Year	Month Placed in Service						
	1	2-3	4-5	6-7	8-9	10-11	12
1st	6%	5%	4%	3%	2%	1%	0.5%
2-10th	6%	6%	6%	6%	6%	6%	6%
11th	5%	5%	5%	5%	5%	5%	5.5%
12-18th	5%	5%	5%	5%	5%	5%	5%
19th		1%	2%	3%	4%	5%	5%

Table IX

19-year Real Property
For Which Alternate ACRS Method Over a 19-Year Period is Elected

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	5.0%	4.6%	4.2%	3.7%	3.3%	2.9%	2.4%	2.0%	1.5%	1.1%	0.7%	0.2%
2-13th	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%	5.3%
14-19th	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%	5.2%
20th	0.2%	0.6%	1.0%	1.5%	1.9%	2.3%	2.8%	3.2%	3.7%	4.1%	4.5%	5.0%

Table X

18-year Real Property
(placed in service after June 22, 1984)
For Which Alternate ACRS Method Over a
35-Year Periods is Elected

Year	Month Placed in Service				
	1-2	3-6	7-10	11	12
1st	3%	2%	1%	0.4%	0.1%
2-30th	3%	3%	3%	3%	3%
31st	2%	2%	2%	2.6%	2.9%
32-35th	2%	2%	2%	2%	2%
36th		1%	2%	2%	2%

Table XI

18-year Real Property
(placed in service after March 15 and before June 23, 1984)
15-year Real Property and Low-income housing
placed in service before May 9, 1985
For Which Alternate ACRS Method Over a
35-Year Periods is Elected

Year	Month Placed in Service		
	1-2	3-6	7-12
1st	3%	2%	1%
2-30th	3%	3%	3%
31-35th	2%	2%	2%
36th		1%	2%

Table XII

Low-Income Housing (placed in service after May 8, 1985)
For Which Alternate ACRS Method Over a 35-Year Period is Elected

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	2.9%	2.6%	2.4%	2.1%	1.9%	1.7%	1.4%	1.2%	1.0%	0.7%	0.5%	0.2%
2-20th	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
21-35th	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
36th		0.3%	0.5%	0.8%	1.0%	1.2%	1.5%	1.7%	1.9%	2.2%	2.4%	2.7%

ACRS PERCENTAGE TABLES

Table XIII

19-year Real Property
For Which Alternate ACRS Method Over a 35-Year Period is Elected

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	2.7%	2.5%	2.3%	2.0%	1.8%	1.5%	1.3%	1.1%	0.8%	0.6%	0.4%	0.1%
2-20th	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%	2.9%
21-35th	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%	2.8%
36th	0.2%	0.4%	0.6%	0.9%	1.1%	1.4%	1.6%	1.8%	2.1%	2.3%	2.5%	2.8%

Table XIV

18-year Real Property
(placed in service after June 22, 1984)
19-year Real Property
For Which Alternate ACRS Method Over a
45-Year Period is Elected

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	2.1%	1.9%	1.8%	1.6%	1.4%	1.2%	1%	0.8%	0.6%	0.5%	0.3%	0.1%
2-11th	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
12-45th	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
46th	0.1%	0.3%	0.4%	0.6%	0.8%	1%	1.2%	1.4%	1.6%	1.7%	1.9%	2.1%

Table XV

18-year Real Property
(placed in service after March 15 and before June 23, 1984)
15-year Real Property and Low-income housing
placed in service after December 31, 1980
For Which Alternate ACRS Method Over a
45-Year Period is Elected

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	2.3%	2%	1.9%	1.7%	1.5%	1.3%	1.2%	0.9%	0.7%	0.6%	0.4%	0.2%
2-10th	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%	2.3%
11-45th	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%	2.2%
46th		0.3%	0.4%	0.6%	0.8%	1%	1.1%	1.4%	1.6%	1.7%	1.9%	2.1%

Table XVI

Listed Property Not Used Predominantly
(other than 18 or 19 year real property)

Year	Recovery Period		
	5	12	25
1st	10%	4%	2%
2nd through 5th	20%	9%	4%
6th	10%	8%	4%
7th through 12th	—	8%	4%
13th	—	4%	4%
14th through 25th	—	—	4%
26th	—	—	2%

Table XVII

40-year Recovery Period
For 18- or 19-year Listed Property Not Used Predominantly

Year	Month Placed in Service											
	1	2	3	4	5	6	7	8	9	10	11	12
1st	2.4%	2.2%	2.0%	1.8%	1.6%	1.4%	1.1%	0.9%	0.7%	0.5%	0.3%	0.1%
2-40th	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
41st	0.1%	0.3%	0.5%	0.7%	0.9%	1.1%	1.4%	1.6%	1.8%	2.0%	2.2%	2.4%

Rented Listed Property Tables

Table XVIII *3-year recovery property*

Lease Term	Tax year during the lease term that the business percentage decreases to 50% or less					
	1	2	3	4	5	6 and later
1 Year	3.0%					
2 Years	6.0%	1.25%				
3 Years	10.2%	6.2%	2.25%			
4 Years or more	13.2%	10.4%	6.5%	1.7%	0.5%	0%

Table XIX *5-year recovery property*

Lease Term	Tax year during the lease term that the business percentage decreases to 50% or less											
	1	2	3	4	5	6	7	8	9	10	11	12
1 Year	2.7%											
2 Years	5.3%	1.2%										
3 Years	9.9%	6.1%	1.6%									
4 Years	14.4%	11.1%	7.3%	2.3%								
5 Years	18.4%	15.7%	12.4%	8.2%	3.0%							
6 Years or more	21.8%	19.6%	16.7%	13.5%	9.6%	5.25%	4.4%	3.6%	2.8%	1.8%	1.0%	0%

Table XX *10-year recovery property*

Lease Term	Tax year during the lease term that the business percentage decreases to 50% or less														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1 Year	2.5%														
2 Years	5.1%	0.6%													
3 Years	9.8%	5.6%	1.0%												
4 Years	14.0%	10.3%	6.2%	1.4%											
5 Years	17.9%	14.5%	10.9%	6.7%	1.8%										
6 Years	21.3%	18.3%	15.1%	11.4%	7.1%	2.1%									
7 Years	21.9%	19.0%	15.9%	12.4%	8.4%	3.9%	2.4%								
8 Years	22.4%	19.6%	16.7%	13.4%	9.7%	5.5%	4.5%	2.7%							
9 Years	22.9%	20.2%	17.4%	14.3%	10.9%	7.0%	6.4%	5.1%	3.0%						
10 Years	23.5%	20.9%	18.2%	15.2%	11.9%	8.3%	8.1%	7.2%	5.7%	3.3%					
11 Years	23.9%	21.4%	18.8%	16.0%	12.8%	9.3%	9.4%	8.9%	7.7%	5.9%	3.1%				
12 Years	24.3%	21.9%	19.3%	16.5%	13.4%	10.1%	10.3%	10.0%	9.3%	7.8%	5.5%	2.9%			
13 Years	24.7%	22.2%	19.7%	16.9%	14.0%	10.7%	11.1%	11.0%	10.4%	9.2%	7.4%	5.2%	2.7%		
14 Years	25.0%	22.5%	20.1%	17.3%	14.4%	11.1%	11.6%	11.7%	11.3%	10.3%	8.8%	6.9%	4.8%	2.5%	
15 Years or more	25.3%	22.8%	20.3%	17.5%	14.7%	11.5%	12.0%	12.2%	11.9%	11.1%	9.8%	8.2%	6.5%	4.5%	2.3%

Depreciation

Description of Property	Date Placed in Service	Cost or Other Basis	Business Use Percent	Section 179 Deduction	Basis for Depreciation	Method	Recovery Period or Useful Life	Table	19___ Rate or Table %	19___ Depreciation Deduction

Worksheet

19___			Depreciation Prior Years	19___			Depreciation Prior Years	19___		
Basis for Depreciation	Rate or Table %	Depreciation Deduction		Basis for Depreciation	Rate or Table %	Depreciation Deduction		Basis for Depreciation	Rate or Table %	Depreciation Deduction

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